



ing an abundance of monopolies and corporate combinations, both public and private. The Nazis have fitted this framework into the totalitarian scheme, depriving labor of its independent role, elevating the employer to the status of industrial leader, and making both strictly accountable to the state.

### DOCTRINE OF RACIAL SUPREMACY

The center of gravity of the National Socialist creed lies in the doctrine of German racial supremacy. A new "race science" has been evolved, from which the following conclusions are derived:

1. Mankind is divided into several grades of superior (pure) and inferior (mixed) races.
2. Among all these the Germanic (Nordic, Aryan) "race" occupies the highest level.<sup>4</sup>
3. The physical and cultural attributes of racial groups are fixed for all their members by heredity and can be improved or debased only through intermarriage; the effect of environmental factors, in other words, is strictly limited.

The fact of race, Nazis maintain, has determined the shape of human development, and it is claimed that whatever major accomplishments can be discerned in world history are traceable to Germanic efforts.

The implications of this doctrine are profound and far-reaching. As carriers of a superior civilization, the Germanic "race" feels itself justified in imposing its will upon lesser peoples by whatever means it may choose. Racial supremacy acknowledges no morality or law higher than its own: every act that is "German" automatically justifies itself.

In the official program of anti-Semitism this doctrine finds

<sup>4</sup>In deference to political expediency, both the Italian and Japanese peoples were elevated by Nazi theorists to a commensurately high status.

*MODERN*  
*POLITICAL*  
*PHILOSOPHIES*

AND WHAT THEY MEAN

*BY LOUIS WASSERMAN*



*A New Home Library Book*

HALCYON HOUSE · GARDEN CITY, NEW YORK

## Japanese Fascism

The Japanese have the Japanese Spirit, but they do not have the World Spirit.

—COUNT GÖTÖ

THE social institutions of Japan are so indigenous to her own soil that the term "Japanese fascism" is perhaps not strictly warranted. However, when considered in its own national context, the Japanese system provides enough similarities to justify linking it generically with those of Italy and Germany.

There is, for example, the same irrational dependence upon myths and legends which purport to affirm the uniqueness of the race and its special dispensation upon the earth; in each case the doctrine of superiority is used to justify the subjugation of allegedly inferior peoples. The military spirit is exalted, international morality is regarded with contempt, the impulse to expand is apparently insatiable. All three systems are at one in their uncompromising hostility to socialistic as well as liberal ideas. The state is totalitarian in structure; little is left to the independent action of individuals or groups; all are subordinated to official objectives. The economy is interwoven with political control, and is maintained on a permanent war basis. The government is, of course, authoritarian. There is no popular sovereignty, no separation of powers, no freedom to question or criticize state policy. The individual, as such, lacks independent existence. He functions only as a part of the national herd;

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It is not too much to say that the Shinto faith permeates the whole of Japanese life, commanding the highest duty and concern of every subject. Successive governments have diligently sought to establish a standardized ritual in which the indigenous Shinto could be completely merged with state policy. Shinto doctrines, shrines, ceremonials, and priests are the unfailing accompaniment of the Japanese from infancy to the grave. Its requirements govern his family life, his education, his business, his recreation, his position in the community, and his attitude toward the rest of the world. Within the nation Shinto is the primary means of authoritarian control; internationally it is the creed of world conquest.

#### (B) Kodo

Kodo, "the way of the Emperor," is a recent secular extension of Shinto, specially adapted to Japanese imperialism. As popularized by General Araki, leader of the Manchurian conquest, Kodo provides the ideology of the "Greater East Asia Co-Prosperity Sphere" program. Every school child is taught that, in accordance with the dictum of the Emperor Jimmu twenty-six hundred years ago, it is the duty of the divinely-inspired Japanese to extend the benevolence of their culture to all corners of the earth. The first step is to be the release of the colored peoples of Asia from domination by the white races. The practical effect of Kodo is to justify Japanese military conquest by identifying it with the purpose of the Emperor, who represents the apex of Japanese emotional life. Kodo is the Japanese equivalent of the "myths" of German Aryanism and the Italian state concept.

#### (C) BUSHIDO

The unwritten code of conduct by which the Samurai were distinguished during Japan's feudal period—and which

# Foreword

THIS BOOK aims to perform a simple educational service: to describe in objective terms the main elements of those competing social philosophies which are at grips in the world to-day. It is addressed to the men and women who value understanding as a guide to action—in particular, to those who may have labored earnestly for or against some “cause” whose meaning they neglected to search out beforehand.

More than at any time in history this is an age of ideological struggle, in which only for the moment has the bomber become more decisive than the short-wave radio. It is, moreover, a struggle that has been intensified by the war years, and one that will be driven to a decision within this generation. Too few Americans have been prepared to assess clearly the issues at stake: we have been fearful, complacent, or contemptuous, but too seldom understanding. For the world at large this is an era comparable only to that in which medieval feudalism began to disintegrate before the impact of the intellectual, commercial, and political revolution—which has, in its turn, reached a crisis today. To neglect the new symptoms, to dismiss them as irritating “isms” unworthy of the American tradition, to support without examining or suppress without comprehending—such a policy must inevitably lead to disaster.

The social doctrines described here, however one may regard them, owe their origins not to the abstract theorizing of men nor to a troublesome preoccupation with utopias. In each case they represent a normal response of human beings

key to Japanese political control is access to the Emperor—success in which generally determines the outlines of national policy.

In the structure of Japanese government the forms of Western parliamentarism exist, but they have little substance. The real sources of political power reside in three agencies, whose relative influence varies with time, circumstance, and personalities: the Imperial Household, advisors to the Emperor; the Prime Minister and Cabinet, appointed by the Emperor and responsible to him alone; and the leaders of the army and navy. The Imperial Diet, the lower house of which is elected by manhood suffrage, has little effect upon national policy. It is convened and dissolved by the Emperor; it may debate, but seldom initiates legislation; it has only nominal control over the budget, and none at all over the Cabinet.

#### POSITION OF THE ARMY

Inheriting the tradition of military rule which has dominated Japanese history almost without interruption, the fighting forces—particularly the army—exert paramount control over national policy. For, unlike the armed forces of other nations, the Japanese military is not under civilian rule. Its leaders are accountable not to the Diet, but to the Emperor alone. The Cabinet ministers of the army and the navy are required to be generals or admirals on the active list, and by this device it is possible to cause the fall of any Cabinet, or withhold approval of a new Cabinet, which is not acceptable to the fighting forces. By Imperial decree the chiefs of the army and the navy have direct access to the Emperor. For the most part, the powerful Court officials whose function it is to guide and inform the Emperor have exercised a moderate and restraining influence; but

to the conditions in which they live, to the shortcomings of their institutions, and to their conception of how the good life may be achieved. Every such doctrine has its historical setting; it proposes either to conserve all or part of what is, or to move into new forms that deliberately depart from those which prevail. It is perhaps necessary to remind ourselves on occasion that every social system today is the product of a rebellion against some predecessor. When a new form of organization triumphs, it can be only because the old lacked the ability to adapt itself to conditions that demanded change.

What was at first intended by the author as a mere glossary of terms has now grown into a full-fledged primer of social doctrines—a happy medium, it is hoped, between the lifeless definition and the comprehensive analysis. The object has been to make available, each in a single chapter, the historical sources and the essential elements of the major social movements of our time. The book is intended, above all, as a work of condensation and clarification. The treatment is largely in terms of the principles and aims each doctrine professes for itself; and the author has accordingly denied himself the luxury of personal judgments. In the light of recent events, that can now fairly be left to the observant reader, and to the many competent analyses whose titles appear in the bibliography.

The author cheerfully grants that complete objectivity in so controversial a field is probably unattainable, and that no brief statement of a comprehensive social theory can be adequate, particularly when some disagreement exists even among its partisans; this conceded, it can only be said that each doctrine is treated as honestly as possible, and with the fullest consideration of all the sources—sacred, profane, and disinterested—available.

The author is indebted to the following for their assist-

ance with the original draft of this manuscript: Drs. Hugh Miller and Lewis Maverick, of the University of California at Los Angeles; Dr. Robert R. R. Brooks, Williams College; Dr. George Hedley, Mills College; Mr. Francis Henson, New York City; Reverend Ernest Caldecott, Los Angeles; Reverend and Mrs. Robert Whitaker, Los Gatos, California. To my wife, Caroline Leland Wasserman, I owe the unfailing encouragement and assistance that could have come from no other. For whatever shortcomings are evident, the author alone reserves the blame.

LOUIS WASSERMAN



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## Introduction to Social Change

.... all experience hath shewn that mankind are more disposed to suffer, while evils areufferable, than to right themselves by abolishing the forms to which they are accustomed.

—THE DECLARATION OF INDEPENDENCE

FOR the most part, men live within the framework of institutions whose architecture is not of their own choosing. That they are generally content to do so springs more from passive acceptance than from considered approval. Yet it is this that gives to any social system—say, that of the United States or Britain—those virtues of stability and continuity without which it could not exist. The nation's laws, the prevailing mores, standards of value, property relations, all combine to form a social pattern, a “way of life,” to which conformity is both convenient and “natural.” By their very character, then, the institutions of a given society are conservative, and self-perpetuation is the first law of their being.

At the same time, though it may seem paradoxical, no social system is able to endure unless it remains forever susceptible to change, prepared at all times to modify the pattern of its institutions to conform with the demands of fresh ideas, new technics, altered circumstances. It is this adjustment that we have come to call progress. No form of social organization, whatever its character, has proved valid for all time; only constant amendment has enabled those which exist today to survive.

## GOVERNMENT AND ECONOMY

It is generally agreed that, from among the diverse institutions which comprise a society, two exert the paramount influence upon the life of the citizen: government and economy. The first is the supreme public authority, the director of national policies, the ultimate power in any dispute. Of the economy it is enough to say that to its operation is entrusted the livelihood of every individual, whether for good or ill. The two agencies, moreover, are unavoidably merged in the closest of relationships. Whether under a system of capitalism or of socialism, business must look to government for support of its commercial and contractual practices. Conversely, the public authority everywhere must depend for its maintenance upon tax revenue, and, since government is implicitly charged with the common welfare, it must act where that welfare is most vitally affected—the securing of livelihood. How intimately the concerns of government and economy are fused was suggested by James Madison more than a century and a half ago when he wrote in the *Federalist*:

Those who hold and those who are without property have ever formed distinct interests in society. . . . A landed interest, a manufacturing interest, a mercantile interest, a moneyed interest, with many lesser interests, grow up of necessity in civilised nations, and divide them into different classes, actuated by different sentiments and different views. The regulation of these various and interfering interests forms the principal task of modern legislation, and involves the spirit of party and faction in the necessary and ordinary operations of the government.

All movements for social reform, such as those treated here, consequently revolve on the issue of political and economic reorganization—that is, changes in the structure

and functions of those institutions. This is as true of anarchism, which would eliminate government altogether, as it is of fascism, which would subordinate all the elements of life to the total state.<sup>1</sup>

### THE TEMPO OF CHANGE—EVOLUTION AND REVOLUTION

As a rule, modifications of political and economic practices occur gradually, even imperceptibly. If the institutional pattern is flexible, able to adapt itself to the changes necessitated by invention and the shifting balance of human affairs, all is well; the dislocation may benefit some and disadvantage others, but it will be absorbed. England is generally regarded as the classic example of this process in the evolution of her political and economic agencies. In any event, if objective forces, material or intellectual, continue to press for recognition, they are not likely to be denied by being outlawed. The ultimate result in such cases has been drastic upheaval, forcible displacement of much or all the old pattern in favor of the new. The rise of capitalism was accompanied by such circumstances; the French and Russian Revolutions are even more eloquent examples of institutional rigidity.

### THE WHY, WHAT, AND HOW OF SOCIAL MOVEMENTS

For working purposes, each of the social movements dealt with here may be considered from the vantage point of three questions: first, why did it come into being? next, what does it propose to do? and, finally, how does it intend

<sup>1</sup>The term "state" is defined variously according to different schools of thought, but it is generally used to denote an independent political unit expressing its policies through a variety of organized public institutions, among which the dominant role is assumed by government. It is in this sense that the word will be used throughout the book.

to get there? (This formula needs to be modified, of course, for those systems already in operation.) The "why" will be found to be a response to the historical situation—the critique of existing institutions and the demand for change. The "what" includes a description of the alternative proposed, the more desirable values claimed, and the new organizational form. The "how" is concerned with the methods to be used in the transition, and these will be found to vary from passive resistance through all types and agencies of reform to outright revolutionary action.

The study begins with a chapter on democracy, and from there follows an order of "relatedness," rather than of chronological sequence. The choice of democracy for the opening is no mere matter of sentiment; it is due rather to the fact that the outlook which it represents is espoused by all the doctrines (except fascism) which seek either to defend or replace capitalism. Once the character of democracy is understood, the competition of economic systems takes on sharper meaning.

### THE HISTORICAL FRAMEWORK

The history of modern social movements begins with the transition of society from feudalism to early capitalism. To appreciate how profound that change was, it will be helpful to recall the conditions of life in the Middle Ages. With the disintegration of the Roman Empire in the fifth century, the commercial and political unity of Europe was completely shattered. No longer held within the bonds of a great imperium, the peoples of each area retreated into the securities of local existence. The physical isolation of the continent was heightened by the lack of a central government competent enough to maintain roads and safeguard the arteries of trade. Few cities survived, and town life was

far from enterprising. Manufacture and trade were, in effect, monopolies of the craft and merchant guilds, whose masters controlled the labor supply, the use of materials, and the prices of their products. It was a system not without advantages, but it did little to encourage inventiveness, cultural interchange, or the accumulation of capital.

By far the greater part of feudal society, however, was to be found living on the land, organized in small, self-sufficient agricultural communities. The most characteristic form of life was that of the manor, a village-unit comprising the lord's castle, the huts of his serfs, and the adjoining fields. The serf was bound to the land and to the service of his master. Agricultural methods were primitive; goods were produced for immediate consumption, or exchanged by means of direct barter.

Feudal relationships were everywhere defined by status, rigid and inflexible: the apprentice to his master, the serf to his local chief, the vassal to his lord, the noble to his king. Each rendered his services, and in exchange received appropriate privileges or protection from marauders. Wealth was measured almost solely in terms of landed property.

The one binding element in this complex class structure was the Catholic Church. It alone was the residuary of the Roman Empire, and through its far-flung administration it exerted the dominant influence of the Middle Ages. The Church's control of medieval life was in fact so pervasive that each revolt against the feudal system—whether intellectual, religious, business, or nationalist—inevitably became a struggle against the Church itself.

### THE COMMERCIAL AND INDUSTRIAL REVOLUTIONS

One factor more than any other finally undermined the citadel of feudalism. That was the revival of commerce.

Despite the severest disabilities trade persisted and prospered, cities grew up at the crossroads of exchange, the Crusades unwittingly renewed contact with the more cultured East, and the process of capital accumulation got under way. The banker, the merchant, and the enterpriser, perhaps unconsciously, became the architects of a new age. The speed of the transformation quickened with each generation, receiving its impetus from new inventions and geographical discoveries. Meantime, on the political side, the fragments of Europe were being slowly welded into national states.

With the opening up of the world, the release of business enterprise, and the liberation of the intellect, we enter upon the modern era. It is distinguished, more than anything else, by an optimistic faith in human progress—a notion conspicuously absent from medieval life. In politics, in economics, in every aspect of culture, the new spirit broke with tradition. It ushered in the Renaissance, the Reformation, the beginnings of capitalism, and the struggle for democracy. No precise date can be set for the transformation, but it is certain that by the fifteenth century the movement was well under way. The four centuries that followed saw the triumph of the new outlook and the rise to power of the class which more than any other had sponsored its emergence—the bourgeoisie.

The commercial revolution was the necessary forerunner of an even more earth-shaking change—the Industrial Revolution. The success of mass production, made possible by the technological inventions of the eighteenth century, clinched the triumph of the enterpriser class in politics and business. The doctrine in whose name the victory was won was that of liberalism;<sup>2</sup> its keynote was individual freedom—in particular, freedom from external restraints in the pursuit

<sup>2</sup>Described in Chapter 3.

of gain. But, although in theory the doctrine could be applied universally, in practice it was limited to the uses of the business class, the owners of capital. Indeed, the consequences of this new dispensation upon the industrial working class which had been called into being were wholly disastrous. The security of the guild had now vanished, the common lands were being alienated, and the only choice remaining for peasants and craftsmen was to join the growing ranks of the factory proletariat. Until well into the nineteenth century the working class was denied the right to vote, nor was it permitted to organize into trade unions. Wages were miserably inadequate, working conditions unspeakably bad, and sporadic unemployment deepened the sense of insecurity. It was no consolation to the workers that out of their misery was being extracted the greatest accumulation of wealth the world had yet seen—so long as they were excluded from a share in it.

### THE RISE OF PROLETARIAN DOCTRINES

Against such conditions protest was inevitable, and it came from many sources: from economists, who attacked the assumptions of the "natural laws" that were alleged to underlie the practices of capitalism; from humanitarians, who demanded remedial measures to alleviate the distress of the poor; from Protestant and Catholic churchmen, who viewed profit-making as the denial of Christian morality; from the landowning class, jealous of the new industrialists and eager to regain a share of its waning influence; and from sociologists who placed the welfare of the whole people on a higher plane of social value than the enrichment of the business class.

Long before unrestrained capitalism had reached its full flowering, the reaction against it had been launched. Among

the earliest expressions of that reaction were the schemes put forth by utopian planners (More, Harrington, Saint-Simon, and others) to reconstruct society on some rational basis which would create class harmony and serve the common welfare. Such plans, despite their sometimes fantastic nature, at least dramatized the ills of contemporary society and suggested remedies which were, in the fullness of time, to be widely adopted.

By the end of the eighteenth century much of the theoretical basis of anti-capitalism had been established. The beginnings of socialism, soon to emerge as the typical working-class doctrine, were to be discerned in the writings of such men as William Thompson, Louis Blanc, Wilhelm Weitling, and Ferdinand Lassalle. But the organized socialist movement that we know today became a dynamic force only with the advent of Karl Marx and his collaborator Friedrich Engels. Marxian, or "scientific," socialism went far beyond the range of its predecessors: not only did it embody in one coherent and plausible doctrine a theory of historical development, a critical analysis of capitalism, and a prediction of its forthcoming collapse, but it raised into self-conscious awareness the class that was to engineer the transformation to socialism—the disinherit ed workers.

### SOCIALISM AND ITS VARIATIONS

Because Marx did little more than suggest the outlines of socialist society, and because a number of his statements were susceptible of different interpretations, the heritage of thought he left was selectively appropriated by his successors. In its purest and most vigorous form, *Marxism* became the doctrine of revolutionary socialism, which subsequently came to fruition with the Russian Revolution and

the organization of communist parties throughout the world.<sup>5</sup>

Other socialist groups, conscious of the concessions being won for the working class through reform legislation and trade-union pressure, staked their future on methods of gradualness, confident that time and social evolution were on their side. Among these are to be found the "Revisionists," the *Fabians*, and the *Christian Socialists*. *Anarchism*, in its earlier stages more a philosophical outlook than a movement, surged into prominence during the nineteenth century when it added to its program of state abolition the equally drastic removal of industrial capitalism. At most points it has remained in direct opposition to Marxism. *Syndicalism*, emerging near the end of the century, became the trade-union version of socialism, bitterly suspicious of political reform and just as passionately convinced of the ability of the working man to recreate society. A milder, more compromising type of syndicalism was to appear some years later in England under the name of Guild Socialism.

It would be wholly unwarranted to lump together indiscriminately, whether for praise or blame, the several doctrines which include some elements of Marxism. Each, it will be found, is a response to its own special impulses; each has its own principles, methods, and ultimate objectives, which in the aggregate cover the whole range of human purpose and endeavor. The differences among them, moreover, are as much a matter of temperament as they are of rational thought. But in one respect all these movements exhibit a striking similarity: they represent in each case the sincere and thoughtful efforts (whether valid or not) of men and women to improve the imperfect society they see

<sup>5</sup>For clarification of these terms, see Chapters 7, 8, and 9.

about them. One and all, despite their divergent paths, they aim at that beneficial and constructive organization of society—the acknowledged prerequisite of the good life for all—which we call democracy. Their pronouncements are as invariably pro-democratic as they are anti-capitalist.

The same is to be said for the two doctrines included here which are not related to Marxism—the program of land reform known as the *Single Tax*, and the *Co-operative Movement*. They are included not so much because they express an ideological outlook as that they represent economic practices designed to modify substantially the workings of capitalism. This is true again of the development that has come to be known as *State Capitalism*, which is best understood as the attempt to subordinate business enterprise to the superior considerations of public policy.

### THE REACTION AGAINST DEMOCRACY

It is not without significance that both capitalists and socialists, representing the two major economic programs of the present day, claim for themselves the fulfillment of the democratic principle. So universal has been the appeal of its promises to the peoples of the world that, even where democracy did not exist to any extent, rulers were at least compelled to give it lip service. Not until the second decade of this century did there arise a movement based on the frank negation of this principle. *Fascism*, appearing first in Italy, then in Germany, and from there spreading to other countries, categorically denied the whole basis of democratic institutions—political, social, and economic—and has since undertaken by force of arms to convert the rest of the world to its creed. It is clearly evident that the roots of fascism lie deeper than in anything which a military defeat of the Axis nations will uncover. Unlike socialism, the

fascist doctrine is not an attack on capitalism as such. It is more profound than that. It is essentially a reaction against the whole of Western civilization as represented in its humanitarian, libertarian, and equalitarian aspects. Its origins are by no means recent, and its prospects in any age will always remain in doubt.

## Democracy

Why should there not be a patient confidence in the ultimate justice of the people? Is there any better or equal hope in the world?

—ABRAHAM LINCOLN

IN ITS broadest sense, democracy is a social philosophy governing the whole of human relations, personal and collective. It is dynamic in character and responsive to changing demands. Democracy must not be thought of as a completed pattern of society, of government, or of an economic system. It does not become static at any point in its development. The institutions it brings into being are tentative and flexible, and they are likely to differ among different peoples at different stages.

### HISTORICAL DEVELOPMENT

Because democracy embodies most fully the universal urge of men toward self-realization, no other doctrine can claim a more ancient or persistent lineage. Yet the elements of which it is composed have changed their character in time and in place, and they can be understood only in their historical context.

The earliest forms of political organization offered little opportunity for satisfying the democratic urge. Primitive social organization appears to have been wholly autocratic and hierarchical. Human relationships were defined in terms

of naked power, and there was scant concern for the value of human life, much less a respect for the subtle worth of personality. The first clear example of political democracy emerges from the classical civilization of Greece. In some of the city-states, notably Athens, the determination of public policy was entrusted either directly to popular assemblies or to elected representative councils. Among the citizens of the state there existed a high degree of social and political equality, coupled with a deep consciousness of civil responsibility.<sup>1</sup> Yet Greek democracy was imperfect in that it lacked the element of universality. Only the "citizen" class, those born in the state, were allowed to enjoy its privileges, and these ordinarily constituted a minority of the population. Resident non-citizens and slaves were a subservient majority without secure status or legal rights. Plato, as the structure of his ideal republic reveals, looked with disfavor on the rule of the many, regarding democratic society as the prelude to chaos. Aristotle was far more certain of its virtues, but pessimistic as to its prospects of survival.

The Roman Republic, some centuries later, contributed two significant elements to democratic theory. The first was the legal doctrine that popular consent was the essential foundation of all political authority. Unlike the Greek conception, it considered that government was external to those who were governed; its powers were granted by the citizenry, and were ultimately recoverable by them. The second element was the doctrine of human equality—a prin-

<sup>1</sup>It may be worth noting that Greek democracy was more collectivist than individualist in temper. The Greek citizen identified himself closely with community life: he was an integral part of the state, and his civic tradition emphasized the general welfare rather than the satisfaction of personal rights. The state represented to him, not an external agency, but a higher unity in which he merged his own being and through which he could realize his fullest endowment. It was this attitude that led to the remarkable degree of participation in political life that characterized Greek civilization.

## CHAPTER 2

# Democracy

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ciple that was to be enunciated with special force in the nineteenth century. In Roman theory the state was regarded as a moral community, and was obligated, in accordance with the prevailing law, to administer justice impartially, without class discrimination.

In the disorder and disintegration of Europe which followed upon the fall of Rome, democratic ideas were pushed into the background. For a time it seemed that the Church, which affirmed the doctrine of human brotherhood and opened its ranks equally to all classes, would greatly further the democratic movement; but the equality it preached was a spiritual affirmation only, to which it applied little practical content. As the Church grew in influence and in material wealth, its fortunes came to depend too much on the maintenance of its temporal power to permit sanction of such revolutionary ideas.

Democracy in its modern form is largely the product of the profound social transformation that followed the decay of feudal society. This was the era of the rise of commerce and the formation of national states, the emergence of the middle class and its struggle against the landed aristocracy; it was the age of geographical discovery and the rise of modern science, and of the growing triumph of liberal and humanistic thought in the realm of religion, politics, and business. Almost all the elements that identify democracy today were implied in this great intellectual revolt, so that for a period of perhaps four centuries democratic principles were completely identified with the emergent doctrine of liberalism.<sup>2</sup>

The Renaissance from the fourteenth to the sixteenth century may be taken as marking the transition between medieval and modern thought. It was essentially a revolt against the enforced conformity and the dogmatism of

<sup>2</sup>The elements of this doctrine are described in Chapter 5.

feudal life. In reclaiming the intellectual heritage of the classical world, the Renaissance put forth sweeping demands for the liberation of the human mind and spirit; it advanced the right of free inquiry, challenged the authority of the Church, and inspired men with a new zeal for learning in all fields. The invention of the printing press aided enormously in the spread of new ideas. Bright vistas of progress were opened up by the scientific discoveries with which the names of Roger Bacon, Copernicus, Galileo, Kepler, and Newton are associated. Against these, and the growing body of knowledge in physics, medicine, mathematics, and engineering, the established dogmas of medieval thought slowly dissolved. The effect of these developments was immediately felt in philosophical and political thought, and in the writings of such men as Erasmus, Francis Bacon, Bodin, More, and Machiavelli we find strikingly modern statements of the ideas that have since dominated political institutions.

With the success of the Protestant Reformation, the right of private conscience as against the dominance of Church authority in matters of faith was finally assured. The way of religious freedom—now one of the principal tenets of democracy—was thus cleared, even though the ideal of tolerance was to pass through many vicissitudes and to remain imperfect even to the present day.

In practical politics, however, the immediate effect of the collapse of feudalism was the rise of absolute monarchy in the new national states. "Divine right" kings arrogated to themselves all the powers of government, and created central administrative systems by which despotic control was established over the whole nation. The monarch embodied in his person both temporal and ecclesiastical power; he was responsible to none but God. Neither the individual nor the aggregate of the nation possessed any rights except by

sufferance of the king. State and Church relations became interlocked in a conspiracy of repression: each supported the other against any intimation of freedom or revolt. Until almost the eighteenth century, the urge for political democracy lay crushed under the weight of absolutism.

In England, where the state was first brought under some measure of popular control, divine-right monarchy was finally curbed in the Revolution of 1688. But only by slow degrees after that was the supremacy of Parliament established, the franchise extended to a wider segment of the population, and the dominance of the elected Commons over the hereditary Lords achieved. On each of these broad fronts of progress the initiative was taken chiefly by the newly emerging class of merchants and traders, the "bourgeoisie," for whom the doctrine of individual freedom held the greatest promise.

In France the excesses of absolutism and of aristocratic privilege, too long successful in thwarting democratic reform, finally exploded in revolution. By that action, and that of the American Revolution which preceded it, there was opened up to all the world the era of democracy. In the French "Declaration of Human Rights," as in the Declaration of Independence, there was crystallized the philosophy of the age-long struggle for a rational society founded upon common consent. It affirmed the existence of "natural rights" which are the property of all men alike: freedom of expression and of conscience, the doctrine of equality, popular sovereignty, and the right to revolt against intolerable oppression. In the decades that have followed, the exponents of democracy have concerned themselves more and more with the adaptation of their philosophy to immediate social and political problems. The results have included the extension of economic opportunity, broadening of the suffrage, the development of representative government, the

reduction of hereditary privileges, improvement of the status of women, and the pouring of a complete set of political techniques into the parliamentary mold.

### DEMOCRACY—LIBERALISM—INDIVIDUALISM

Viewed historically, many streams of thought have been tributary to the broad movement of democracy; among these humanism, liberalism, individualism, the scientific outlook, and the doctrine of equality are the most notable. But the contribution of each of these elements has been modified with changing circumstances, so that at times emphasis upon one or another has brought them into disharmony. It is this fact that accounts for the opposed interpretations of democracy that are now current.

The consequences of the Industrial Revolution, above all, came to confront democracy with its greatest crisis—one that remains unsolved to this day. Once the joint struggle against feudal and absolutist principles had provided the basis for modern industrial civilization, the advocates of democracy, liberalism, and individualism found themselves ultimately committed to divergent aims. The democrat tended to emphasize the need for equality of status as the precondition of self-development for all, and he protested against a society in which the inequality of wealth threatened to create a new class structure. The liberal, to whom human freedom was the highest good, found himself faced with the dilemma of restricting the freedom of enterprisers by state action, or sanctioning every abuse of that freedom. The individualist, for his part, insisted upon unrestrained personal action in the field of enterprise, believing that the benevolent action of economic laws made unnecessary any interference by the state.

## THE INDIVIDUALIST TRADITION IN THE UNITED STATES

In the United States the doctrine of individualism was predominant from the formation of the Union to at least the turn of the twentieth century. The Declaration of Independence, inspired chiefly by Locke and Rousseau, was a classic expression of the "natural" and "unalienable" rights with which all persons are held to be endowed. The right to revolt against oppressive government was declared justifiable on the theory that those who governed enjoyed their powers only as a popular leasehold, and that such powers could be withdrawn if they violated the conditions under which they were granted.

The individualist emphasis upon the rights of life, liberty, and property were written into the Federal Constitution, and reaffirmed in subsequent amendments and judicial decisions. The expanding American frontier of the nineteenth century proved a powerful stimulant to the individualist outlook, particularly as it was directed against government interference.

Nevertheless it was not long before the requirements of a strong central government triumphed over the early Jeffersonian insistence upon decentralization. It is notable that, whereas the predominant temper of early American life was individualistic, there has been an increasing emphasis since the time of Jackson on the broader democratic outlook. In recent decades the claims of economic individualism have frequently come into conflict with the equality sponsored by democracy—with the result that laissez-faire capitalism has been largely curtailed by governmental action.

## ELEMENTS OF DEMOCRACY: RESPECT FOR PERSONAL WORTH

The description of democracy that follows is not a portrait of the United States or of any other "democratic"

country. It is rather a statement of the principles, assumptions, and implications underlying democracy as a social philosophy. To the extent that the social relations and institutions of a state are guided by that philosophy, it may be said to be democratic.

The key to an understanding of democracy is to be found in its deep respect for human personality—a respect that is extended impartially to every member of society, without regard for birth, wealth, or social position. The best statement of this attitude is perhaps to be found in the Declaration of Independence: "that all men are created equal; that they are endowed by their Creator with certain unalienable rights; that among these are life, liberty, and the pursuit of happiness." Democracy sets out to guarantee to each individual the full realization of his capacities in whatever degree, great or small, he may be endowed.

### EQUALITY OF STATUS

Because the majority of the people under the historic conditions of class privilege have been denied this basic right, democracy insists that the position of men in society must rest on a basis of essential equality. Any form of discrimination that would subject some individuals to an inferior or unequal status is considered a violation of the democratic spirit. Each person is to be regarded as a worthy end in himself, not as a means to other ends. To all men is granted the right of self-expression, but to none the privilege of exploiting or obstructing others.

The principle of equal opportunity does not, of course, presume equal development for all; the levels of attainment naturally depend upon individual capacities. But in this principle is discovered one of democracy's unique contributions: it conceded for the first time the equal right of self-

realization to all the people, instead of limiting this right to those who by inherited or acquired power could dominate the others. The implications of this principle give the prevailing tone to the character of the state, the economic system, and the social institutions of democratic society.

The purpose of social institutions in a democracy, then, is to equip each individual with advantages drawn from collective relationships. The value of political, economic, and cultural institutions is measured by their service to the prevailing democratic aim: equal opportunity for all in realizing the good life.

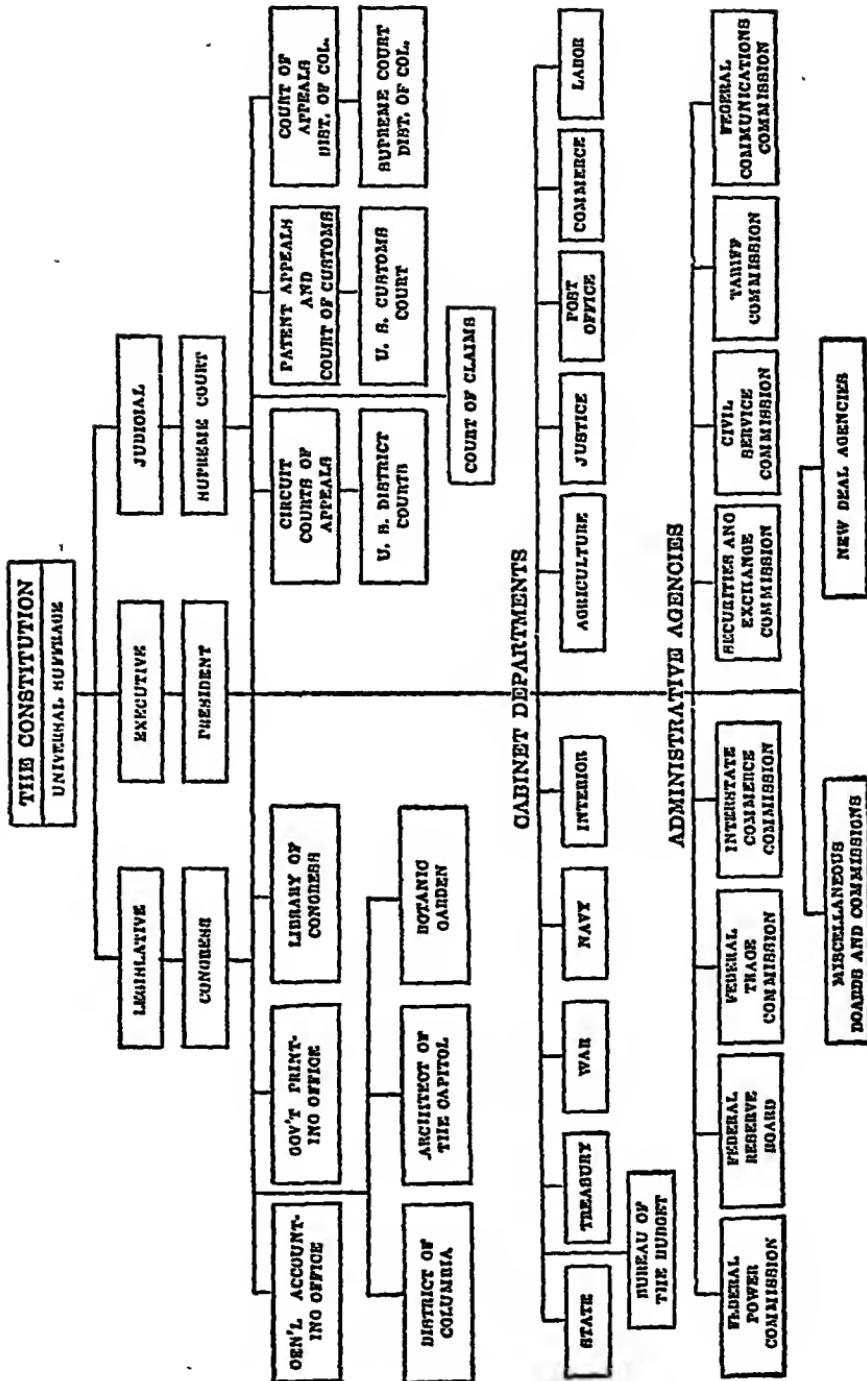
### PERSONAL FREEDOM

First of all, in what may be considered a negative aspect, democratic society is pledged to protect the individual against violation of his personal liberty—to preserve at all times his freedom of choice and action. To this end, each person is declared equal before the law, each is granted an equal voice in the determination of public policy, and each is protected in his expression by the exercise of civil liberties. But, beyond this, it is the more positive duty of society to create new opportunities for self-development, encourage scientific research, extend educational training, establish a high level of material welfare, and utilize the national resources for the benefit of all.

### POLITICAL DEMOCRACY

The government of a democracy is at the same time the servant of the people, the guarantor of their liberties, and the agency for the advancement of public ends. And, since no single person or self-appointed class can be trusted to interpret the welfare of all, democracy lodges the power of sovereignty (political control) with the whole people.

# THE GOVERNMENT OF THE UNITED STATES



Public policy arises as the expression of the common will: each person is to have an equal voice in its determination, with the decision of the majority translated into law. Democratic control is exercised through universal suffrage and the active participation of those who are governed. A complex social system requires that the people rule indirectly through elected representatives, who are pledged to carry the people's program into effect. The government is to be kept sensitive at all times to the changing needs of the people; required reform can then follow in an orderly way. If mistaken action should prevail for a time, the presumption is that it will be recognized and corrected.

The practical application of democracy to government has given rise to a large assortment of political techniques. These differ widely among the several nations utilizing the democratic philosophy, but all are intended to make the government increasingly responsive to popular control. Some of the most prominent of these instruments are: a constitution, embodying fundamental rights; separation of powers among the executive, legislative, and judicial branches; the "check and balance" system; regular elections; the secret ballot; proportional representation; opposition political parties; the right to recall elected officials; and the initiative and referendum. A republican form of government is probably the type of structure most conducive to political democracy. But there are many exceptions: the kingdom of Sweden, for example, is recognized as far more democratic than the republic of Turkey. What is important is the substance of democratic institutions, not their structural form.

### CIVIL LIBERTIES

Doubtless one of the critical factors both in the self-development of the individual and the maintenance of

popular control is the free expression of the people in all matters that concern their welfare. For this reason the civil liberties—freedom of speech, of the press, of assembly, of religious worship, and the right of petition—are to be guaranteed to all, and the active participation of every adult in public affairs is not only a privilege but a duty. A well-informed electorate is to be encouraged, through free discussion of social problems and the presentation of opposed points of view. The conviction here is that differences of opinion are a healthy influence, and that out of the conflict of ideas there is likely to emerge a sounder conclusion. Where the “rule of reason” prevails, the majority decision should reflect the most desirable action. Coercion of minority groups by force, or by denying them freedom of expression, violates the democratic spirit. The method of democracy is rather to rely on the judgment of a well-informed citizenry. The minority is free to become the majority if it can win enough adherents to its cause. In the words of the late Justice Holmes: “The best test of truth is its ability to gain acceptance in the market-place of ideas.”

### FAITH IN EDUCATION

Closely related to the principle of an intelligent electorate is the deep-lying democratic faith in universal free education. Enlightened mass decisions are clearly impossible without widespread educational opportunity. But, beyond this, the goal of democracy—full self-realization for all—demands continuing access to vocational and cultural advancement. Education must be universal, free, and objective. The claims of every field of knowledge are to be given consideration, controversial issues freely discussed, and teachers unhampered by external pressures. The findings of

science, whatever their effect upon prevailing beliefs, are to be permitted full expression.

### DEMOCRACY AND CAPITALISM

Democratic theory specifies no particular form of economy, simply providing in respect of this (as of other institutions) that its operations be conducted not as ends in themselves but as means of advancing individual and collective welfare. To the extent that it serves this purpose, the economic system, whatever its form, is consistent with the larger aims of democracy.

It is worth recalling here that modern capitalism arose side by side with the movement for political democracy, both movements representing a reaction against the feudal autocracy of the Middle Ages. In both fields the reaction took the shape of a *laissez faire* ("let alone") policy, designed to minimize the interference of autocratic governments with individual liberty. As a result, capitalism and political democracy for a time became closely identified, with the doctrine of individualism the keynote of both. But, with the appearance of large-scale industry in the nineteenth century, economic individualism came into increasing conflict with the principles of social and political equality. At the same time the extension of the suffrage to larger sections of the population furnished an instrument for reshaping democratic aims in the economic field. As a consequence the political state has intervened increasingly, by way of regulation and public ownership, to subordinate individual enterprise to the collective welfare.

It may be said that, in the first phase of development, democratic peoples freed themselves from the autocratic state; in the second, having attained popular control, they are engaged in shaping the democratic state to their will.

No institution is acknowledged as final, whatever its existing form; but any change in its character must be sanctioned by majority action. A capitalistic economy would remain consistent with democracy as long as it contributed a maximum of material welfare and did not violate the superior requirements of personal and social progress. Otherwise, a proper observance of democracy would require that capitalism be altered to the extent necessary to fulfill these conditions.

## CHAPTER 3

### Liberalism

Paradoxically, throughout history, Liberals have initiated revolution and have fought against it.

—ALBERT WEISBORD

IT IS not too much to say that the history of modern thought begins with the rise of liberalism in Europe. In common with other social movements, this new outlook came into being not as a set of abstract ideals but as the expression of the material interests of men, set in the framework of a particular time and place. The time was, roughly, the fifteenth century; the place, western Europe. The circumstances were such as to compel the emergence of a new philosophy that would reflect the revolutionary changes then in process of reshaping the physical world. In a measure the liberal outlook preceded, then accompanied, and eventually crystallized these material changes.

#### THE HISTORICAL BACKGROUND

Feudal society, at this time in process of disintegration, had everywhere been characterized by absolutism, privilege, and rigid class lines. Throughout the medieval period, Church authority was dominant. In its combined spiritual and temporal role, its influence had penetrated into every fold of the social fabric, compelling the homage of rulers and people alike. Although in theory Church doctrine upheld human equality and affirmed the supreme worth of the

individual, the institutions over which it presided were wholly authoritarian. The individual was caught up on every hand in a net of ecclesiastical restrictions which prescribed his position in society, the conditions of his livelihood, the nature of his obligations, and his standards of loyalty. The right of private conscience was frowned upon; no opposition to official Church dogma was permitted. It was a static conception of society, thoroughly uncongenial to the idea of human progress; the individual was permitted to function only as a part of the social class to which he was born. Any challenge to the established order of things, whether in private conscience or through scientific discovery, was severely suppressed.

In the field of economics, feudal society was geared to land ownership rather than liquid capital as the measure of wealth, and here the Church and landed aristocracy exercised effective control. Royal monopoly flourished, production of goods was jealously limited by the craft guilds, the lending of money at interest was prohibited, and the entire conduct of business was hampered by excessive moral and political regulations.

Until the rise of the modern nation-states of Europe, which began to take shape by the fifteenth century, political power was dispersed among Church authorities, presumptive monarchs, and feudal lords. The majority of the people possessed neither political power nor the means to obtain it.

This was the society against which the liberal movement was launched. A remarkable series of developments converged upon its origins. Most important of all was the emergence of the "bourgeoisie," or middle class of merchants, traders, and bankers, intent upon exploiting the areas of commerce being opened up in the rest of the world. It was upon this class that the burden of economic restrictions bore most heavily, and it is with their rise to power that the

liberal movement is inescapably connected. The expansion of commerce was accompanied by the growth of cities at strategic points on the continent, whose increasing wealth and power soon challenged the control of the Church and the aristocracy.

The geographical discoveries which crowded upon each other not only expanded the fields of commerce but helped to widen the horizons of man's experiences. The invention of the printing press had made possible as never before the dissemination of ideas. A new intellectual temper was beginning to pervade the civilized world—a bursting of the medieval trammels upon thought, an aroused consciousness of world opportunities, an emphasis upon the individual as master of his own destiny, an impatience with the old order and a zest for the new.

The liberal attitude had been forecast in the "humanism" of Erasmus, writing at the end of the fifteenth century, as well as in the earlier expressions of the Renaissance. Men were becoming unwilling to accept theological dogma as the sole basis of their conduct. An awareness of the ability of the natural sciences to raise the levels of human welfare had been eloquently stated by Francis Bacon in the sixteenth century; subsequently the fields of mathematics and physics were enriched by the contributions of Descartes and Newton, and a new conception of human evolution based upon individual struggle was revealed in the biological findings of Darwin and his contemporaries. With every such advance in the sciences, the triumph of reason over dogma was more solidly affirmed.

The Protestant Reformation, ushered in by Luther near the middle of the sixteenth century, dealt a staggering blow to the dominant power of the Church. New religions appeared, and with them the demand for mutual tolerance. Not only did the liberal doctrine, by asserting the right of

individual conscience, reject the authority of the papal hierarchy and thus prepare the way for intellectual revolt; it lent itself to the designs of the temporal rulers of the new states of Europe in sanctioning the seizure of Church properties, and in breaking the bondage of religious restrictions upon commerce and industry.

The rise of self-sufficient national states thus served to divorce political power from its religious controls. Not that the result was popular government—there was to intervene first the era of divine-right kingship; but the way was cleared for the predominance of secular thought in the realm of social control. The incessant struggle during the medieval period between Church and civil authorities for control of men's minds and their products was at last resolved in favor of the state. With that triumph the way was prepared for a new body of law, both domestic and international, to crystallize the new relationships that had come into being among individuals and states.

The final great impetus to this intellectual upheaval came with the Industrial Revolution. The shackles of feudal society were completely burst in the upsurge of technological advance. The application of scientific knowledge had by now made possible unprecedented advances in both agricultural and manufacturing output. Relieved of the trammels of the old society, human ingenuity now proceeded to use machinery and steam power to pour out a flood of goods never before approximated. Stemming from the tenets of liberal thought, economic individualism now asserted above all else the claims of the individual, unrestrained by regulations of either Church or state, to seek material wealth on the basis of conditions defined solely by himself. With the triumph of this outlook in the years that followed, the demands of liberalism had reached their logical extreme. Reacting from a society where personal incentive was sub-

ordinated to criteria of social well-being—as prescribed by Church authority—liberalism had now installed the optimistic doctrine that the best interests of society would be served by granting to all individuals unrestricted freedom of action.

### THE LIBERAL APPROACH

Liberalism may be defined, then, as the movement—reflected both in a *spirit* and in a *body of doctrine*—that is dedicated to the expression of personal freedom in every sphere of life. And we shall see that it is this twofold character of liberalism—first as a broad intellectual outlook, and next as a narrower adherence to certain established institutions—that lies at the bottom of the sharp disagreements between “liberal” groups today.

In their classical form, the principles of liberalism became embedded in the ideal of individual freedom as the basis upon which society might best progress. The goal was the emancipation of men from every form of external restraint. Where the character of the old society had been static, repressive, and intolerant of change, the essence of the new was to be typically free, dynamic, anti-traditional. Liberalism claimed for all men the exercise of certain “natural rights,” eternally secured to the individual and beyond the province of any political authority. Among these the most essential were freedom of inquiry, of expression, of religious conviction, of group association, and of economic enterprise. Through their exercise, it was believed, men could assert themselves most effectively, could realize their fullest capacities, and thus could find their proper level in the social scheme.

The liberal spirit was pervaded throughout with an attitude of tolerance and reason, as opposed to force and dogma. It denied the right of discrimination or privilege in

any form. It expressed an unbounded faith in social progress and in the possibilities for human betterment. It affirmed that social institutions have but one purpose—to serve, not to oppress—and that when any agency became subversive of that end it was the right of the people to alter or replace it with a new one.

### ECONOMIC LIBERALISM

The movement to liberate the ingenuity and productive forces of man from the shackles of his feudal economy represented the first organized offensive of the liberal movement. In the economic field individual liberty meant the freedom to organize business, produce goods without limit, negotiate contracts, carry on trade, seek unrestricted profits, and exploit productive resources without state interference. The formula for this system, classically expressed by Adam Smith in his *Wealth of Nations*, was that of laissez faire—the doctrine which, relying upon the assumption of natural harmony, asserted that if economic laws were allowed to operate unchecked the result would be maximum productivity and well-distributed wealth. The basic requirement was the right of free enterprise. Granted this condition, each individual in being spurred to his maximum efforts by the prospect of material gain would automatically harmonize his interests with those of the whole society, and in the same automatic way the forces of supply and demand would regulate the production, price, and purchase of goods. Conversely, any attempt by the state or by combinations of either employers or employees to modify the free play of competitive forces would only cause obstruction and loss for all concerned. Based upon this principle, liberalism in the economic field became the doctrine of modern capitalism.

## POLITICAL LIBERALISM

In its early period the liberal conception of the state (as a reaction from feudal autocracy) was largely negative and entailed the cutting down of political power to a minimum. Only by this check, it was believed, could individual freedom be assured. By the eighteenth century, however, a new attitude had grown up: liberals observed that freedom could be assured only when liberal principles were written into the law. Political liberalism in succeeding years, therefore, came to be expressed in positive political action: the drafting of constitutions and bills of rights, the growth of representative government, the broad extension of suffrage, systems of checks and balances, codification of public law, and similar measures. Ultimate sovereignty was held to reside in the people as a whole, and political institutions were to be kept sensitive to the popular will.

## OPPOSED INTERPRETATIONS

Liberalism thus fostered two broad tendencies that were to come into direct conflict: economic individualism and political collectivism. When free enterprise, intent on profit-making, began to produce less natural harmony than severe discords, popular control set itself to exert restrictions upon economic freedom. The result was the development of the "social service" state of the late nineteenth century. Liberals chose to lean heavily upon political methods to preserve their aims in other areas. Capitalism was to be reformed, but not abolished. Wherever necessary the political state would intervene to guarantee freedom, check monopolistic practices, provide minimum standards for the conduct of industry, permit the organization of trade unions, and in general seek to mitigate the conditions of social inequality.

Two main schools of liberals may be distinguished in America today. The first insists upon the preservation of capitalist enterprise as essential to a free society, and is prepared to support such a program of economic reform as mentioned above.

The second school of liberals places primary emphasis upon liberalism in its original character of *spirit* or *method*, and refuses to accept capitalism as a necessary institution. They maintain that nineteenth-century liberalism has lost its earlier momentum and become hardened into a new set of privileges; that the freedom it proclaimed in universal terms has become narrowed by the owners of capital to permit exploitation of the non-owners; and that political equality is mere emptiness unless accompanied by economic equality—in short, that economic individualism has come to threaten the very existence of that democracy with which it was once in harmony.

The new school of liberals therefore calls for an interpretation of freedom based upon the relationships of modern industrial society. The privilege of wealth must be destroyed, so that human liberty will not be subject to economic oppression. Moreover, the freedom of the individual must be set in the context of the collective welfare. Specific liberties are not enough, it is believed, until first there is assurance that their exercise will not pervert the common good. And, since the possession of economic power is held to be the source of political and social control, in a society where freedom is to be effective it is necessary that the principal economic agencies be vested in the people as a whole rather than left in the hands of profit-seeking individuals. Such a change, it is believed, is consistent with liberal aims and can be ushered in by liberal methods. In this interpretation, liberalism becomes the advocate of evolutionary socialism.

## LIBERALISM AND DEMOCRACY

The form of social organization which most nearly incorporates the liberal attitude today is that of democracy—in fact, the two terms are often used interchangeably. In a precise sense, however, liberalism is a habit of thought, to which democracy has given organizational content.

The liberal is in the position of a social scientist who examines human behavior in its historical context. He is devoted to a single ideal—that of human freedom—and he states the conditions under which that ideal can operate in the complex of society. It remains for organized social systems to grant this principle of freedom a greater or lesser place in their hierarchy of values. At the one extreme, anarchism exalts individual liberty above all else; at the other, fascism submerges it completely in the state.

Democracy stands at a midway point, with personal freedom limited only by another concept—that of equality. It is here that the departure from liberalism really takes place. In the interests of equal status for all, which it considers basic to self-expression, democracy restricts the freedom of individuals wherever that freedom is found to be contrary to the collective good.

## CHAPTER 4

# Capitalism

What a sense of security in an old book which time has criticized for us!

—JAMES RUSSELL LOWELL

THE beginnings of capitalism as a distinctive mode of economic life can be traced to the thirteenth century. The notion of free enterprise, as we have seen, sprang from the opposition of the emerging class of merchants and bankers (the bourgeoisie) to the binding restrictions of feudal society. With the rise of liberal thought in the sixteenth century, this protest had become fully articulated in the doctrine of economic liberalism.

### THE MERCANTILIST INTERLUDE

Yet the triumph of individualism in the business field was not to be realized so soon. Indeed, from the sixteenth through the eighteenth century the economic pattern of the new national states was that of mercantilism, and it is only with the Industrial Revolution that capitalist practices become dominant. The transition from one form of society to another inevitably takes place in an atmosphere of doubt and uncertainty, and so it was when the secular state supplanted the medieval Church as the organizer of men's activities. The demand for security—upon which every economy rests—was now to be satisfied through the instrumentality of the state, to which had been bequeathed the

medieval tradition of extensive rights over business enterprise. The willingness of the merchant class temporarily to accept these conditions was promoted by a working alliance with the landed nobility, and by the dependence of both upon official support for their overseas trade. The commercial revolution, opening up vastly increased opportunities for trade, was now well under way. Merchants everywhere looked to their governments to secure for them the advantages of new markets and raw material resources throughout the world. All Europe stood on the threshold of the age of imperialism.

Mercantilism was directed primarily toward the construction of a powerful, expansionist, self-sufficient state, and to this end it subordinated all phases of economic behavior.<sup>1</sup> Based on the presumption that the possession of precious metals constituted national wealth, every measure designed to promote a favorable balance of trade was resorted to. Tariffs were levied against imports; bounties and subsidies were paid for increased production and exports. The government encouraged new industries, organized monopolies, enacted protective legislation, and sought to promote a larger population to provide an ample labor force. The regulation of business conduct extended to every field: manufacturing quotas, standardization of goods, legal rates of interest, price control, wage levels—in some cases to the minutest of details. In its colonial policy the mercantilist system was one of frank exploitation, through exclusive dominance of trade, control of raw material supplies, and the attempt to “buy cheap and sell dear” in every market.

<sup>1</sup>Mercantilist policy, it will be observed, furnishes a number of striking resemblances to the contemporary Italian, German, and Japanese systems (see Chapters 17, 18, and 19). It would not be proper, however, to carry the comparison too far. The dynamics of aggression (except as an incidental consequence) and the notion of racial superiority, as well as other ideological features, were not a part of mercantilism.

The mercantilist state, then, had as its object the enhancement of political power through wealth, but in its operation the interests of the merchant class were paramount. So long as the rewards of business were adequate there was little cause for dissatisfaction. But the mercantile system declined and fell because eventually it proved inadequate to administer the growing complexity of business enterprise, and because finally the merchant class had become powerful enough to dictate even more favorable conditions for its own behavior.

In particular, the untried administrative machinery of the mercantile state proved unable to control the productive forces released by the new technology. The temper of the seventeenth century had already forecast the triumph of the private enterpriser. In England, where the liberal idea first prevailed, divine-right monarchy had given way to constitutional government, and the political balance was beginning to shift from the land to the cities. The merchant class was more and more consciously assuming an active role in government. It bore with increasing impatience the regulations of business, now that enterprise was strong enough to make its own way.

### ECONOMIC INDIVIDUALISM

The doctrine of economic individualism, foreshadowed in liberal thought, received a powerful impetus in the philosophy of John Locke (1632-1704), who viewed the right to property as the most inalienable of the "natural rights" possessed by men. Society was organized, he believed, by a deliberate compact among its members, under which the rulers were granted only such powers as were necessary to secure the life, liberty, and enterprise of the people. From this it followed that the role of government

in the economic field was to be reduced to a minimum. The well-being of society, it was argued, would be best served when individuals were permitted unrestrained freedom of action. As stated most convincingly by Adam Smith in his *Wealth of Nations*, there exists in nature a harmony of economic laws which so operate as to achieve the welfare of all when individuals strive for personal gain. Thus, with the prospect of unlimited profits as their reward, enterprisers would exercise their highest skills to create a maximum of wealth, and this would necessarily mean the production of more and better goods for all. Competitors would be guided in their activities by the barometer of a free market, in which the demands of a multitude of consumers would indicate what needs existed to be satisfied.

In this conception the role of the state—as contrasted with that of the mercantilist system—was essentially negative, since any interference with the “natural” processes of wealth production would merely diminish the amount of wealth produced. The obligation of government was to create conditions most conducive to individual freedom—that is, to maintain order, protect property rights, enforce contracts, and guard against external invasion. It was entitled to function in the sphere of education or to attend to the construction of public works, but at no time was it to substitute public enterprise for that of private. In short, government might act as umpire, but never as a participant, in the game of wealth production.

### THE TRIUMPH OF CAPITALISM

With the onset of the Industrial Revolution capitalism came of age. The invention of new power machinery now made mass production possible, and the market for raw materials and finished goods became world-wide. As huge

business profits accumulated they furnished new capital for expansion. Vast industrial units came to displace the small factories and workshops that had previously made obsolete the domestic handicraft and guild systems; while the heretofore independent artisans and craftsmen, totally unable to compete with machine technology, became dependent wage workers. An intricate system of finance was evolved for handling the problems of mass production, and, as competition spread to an international scale, the struggle for colonial dominion by the industrial nations took the world stage.

### ELEMENTS OF CAPITALIST ENTERPRISE

Capitalism, then, has come to be distinguished as the form of economy which depends for its operation upon the right of enterprisers to engage freely in the search for profits under competitive conditions. It represents, to put it otherwise, the traditional striving for wealth, couched in terms of an individualistic outlook and crystallized in a set of institutions whose character has now become clearly discernible. Chief among these are the right to hold private property, freedom to engage in enterprise, profit-making as the incentive to production, the force of competition as an automatic regulator, freedom of contract, the wage system, an intricate mechanism of exchange, and a policy of "rationalism" (systematic efficiency) in the conduct of business. A brief statement of each of these elements follows.

### PRIVATE PROPERTY

The right of an individual to own property is assured by law in every form of existing society. But private property is of two main kinds: (1) goods for direct use by consumers in satisfaction of their wants, such as a house, an

automobile, or a washing machine; and (2) capital goods, such as machinery, industrial plants, raw materials, and usable land, which are employed to produce or make the things used by consumers. The latter form of property is commonly referred to as the means of production. The ownership of such agencies by private enterprisers is regarded as the foundation stone of capitalism. It should be noted that possession of such property clearly implies the right to employ it in any legal way, to withhold it from use, to transfer it to others, and to pass it on by inheritance. In contrast to this conception, it may be pointed out, alternative economic systems such as socialism approve of private property in consumers' goods but contend that the means of production should be owned by society as a whole. .

### FREEDOM OF ENTERPRISE

Ownership of the means of production under capitalism may rest with an individual or with a group. As enterprisers they are free to utilize their property to acquire profits in whatever field they may choose. In doing so they must assume the risk of the loss of their investment as well as the prospect of unlimited gain. In conducting their business, enterprisers are at liberty to produce as much or as little as they wish, to determine the nature and sale price of their products, employ whatever personnel is necessary, and make whatever commitments may seem advisable for successful operation. Business relationships between buyer and seller, employer and employee, are everywhere marked by freedom of contract. Such obligations receive the enforcement of public law.

### THE PROFIT MOTIVE

The mainspring of capitalistic enterprise is the expectation of private gain in a measure greater than that of a mere

livelihood. Capitalism counts upon man's inherent desire for acquisition as the most powerful incentive to production. The enterpriser is expected to exert his utmost initiative and ingenuity if the prospects for gain are unlimited; he will thus constantly strive to improve his product, lower his costs, expand his market, and render the best service. In the measure that the enterpriser succeeds in this, he will be rewarded by profits. Production will be engaged in only if it promises financial success; a venture operating at a loss will soon be abandoned. The incentive of profit is regarded as the surest guarantee of successful enterprise.

### COMPETITION

Competition is the device depended upon to act as the automatic regulator of capitalism. The interaction of competitive forces in a free market is expected to stabilize prices, profits, and costs of labor. Thus the competition of the producers in a given field of enterprise would tend to reduce market prices, whereas the competition of consumers to purchase those goods would tend to raise prices to a point where the producers would be assured a profit. Similarly, the competition of workers for available jobs would tend to depress the scale of wages, and the bidding of employers for workers would result in raising wages. This ideal situation, of course, presumes adequate mobility of capital and labor, relatively equal bargaining power among the groups, and a free market unhindered by monopoly.

### THE WAGE SYSTEM

The owners of capital assume the risks of enterprise and absorb whatever profits may be forthcoming. Labor is regarded, like machinery and materials, as an item of cost. Workers are employed at an agreed wage, which generally

remains constant no matter how the fortunes of the enterpriser may fluctuate. The scale of wages is determined by the employer, although this factor depends somewhat upon the availability of labor and the strength of collective bargaining of the employees.

With the growth of huge industrial enterprises, relations between employer and employee have become largely depersonalized. The effect has been to create a more or less clear-cut division between owners and workers. Since labor is essentially an element of cost to the capitalist, his normal inclination is to keep that cost at a minimum. The worker, on his part, seeks always to raise his standard of living; as a consequence his loyalty is more likely to attach to his union than to his employer. At the same time it is evident that the dependence of the worker on his job for his livelihood gives him a primary interest in the success of the enterprise.

### EXCHANGE AND FINANCE

To facilitate the exchange of goods produced in large quantities and distributed over a wide area, capitalism has developed a highly flexible system of finance. The value of goods and services is measured in terms of price; for convenience, price is expressed in units of a money standard, commonly based on gold. In order to introduce even greater flexibility, paper instruments such as bank notes, personal checks, stock certificates, promissory notes, and mortgages are extensively used wherever speed, convenience, or large-scale transactions are involved. Spreading over all these is the structure of credit, an evidence of promise to pay in the future. Banks, investment companies, and stock exchanges are the clearinghouses for this intricate network of finance, whose operation at all times is extremely sensitive to change.

This entire procedure is by no means an exclusive feature of capitalism but must be included as an essential element.

### RATIONALISM

Since the extraction of profits depends upon the use of successful business methods, there exists in capitalistic enterprise a continuing drive to increase productivity and decrease costs. This policy is known as "rationalism" and consists of applying the principles of scientific management to industry, of increasing business efficiency through co-ordination, of utilizing exact accounting practices, of creating a division of labor to result in maximum production per unit, of purchasing under the most favorable conditions, and of uncovering new markets wherever possible. Machine processes are substituted for human labor at every stage where it may be advantageous. Output of goods is geared to the highest point of profitability, at whatever rate of actual production that may occur.

### STAGES OF CAPITALISTIC DEVELOPMENT

It would be a mistake to regard capitalism as a deliberately planned system, consciously or uniformly applied. It consists rather of a faith, or expression of confidence, in the ability of "natural laws" to translate a multitude of personal, unplanned economic desires into a maximum of social satisfaction. Capitalistic enterprise simply reflects the behavior of men, free of every external restraint, engaged in the competitive struggle for private gain. The elements of such enterprise, described briefly above, have become the institutional response to that behavior.

In common with earlier economic systems, the prac-

tices of capitalism have evolved historically through certain observable stages, responding to the dynamics of their inherent features and modified by other forces at work in society. Whereas a feudal economy may be said to have predominated in Europe from the ninth to the fifteenth century, and mercantilism from then to the eighteenth, capitalism has since prevailed over most of the earth to the present.

This is not to say that the elements of capitalist enterprise were lacking earlier. But it was only with the successful accumulation of investment capital by the merchant class and the rise of machine technology that capitalism in its modern sense began to assert itself. From the mid-eighteenth to the twentieth century the foundations of industry were laid: factories were built, machines improved, mass production initiated, transport and communication immensely facilitated, and markets created in all corners of the earth. This was the era of inventiveness and expansion: its symbol is that of the ingenious, confident, adventurous entrepreneur.

The outbreak of the First World War ushered in a new phase of capitalist development. Technological invention and scientific management had previously made possible new levels in the production and distribution of goods. But almost simultaneously the rate of expansion of enterprise had begun to slow down. Competition and the free market were increasingly haltered through the formation of trade associations, combinations, trusts, and monopolies among the major producers. There arose a strong tendency toward the centralization of economic power as large corporate units asserted their domination of industry. The role of finance took on special importance in the arranging of mergers, consolidations, stock trusteeships, and transfers of ownership through investment shares.

At the same time, the strictly private character of business was being modified by increased governmental regulation and the rise of organized labor. As the recurring cycles of boom and depression affected the public welfare more and more vitally, the government intervened to cushion the shocks of readjustment. There was a conscious attempt, through the medium of detailed legislation, to make the conduct of enterprise more responsive to social considerations. Municipalities and other public agencies began to assume the ownership of public utilities, side by side with private enterprise. The state showed signs of reverting to the role it had exercised at the beginning of the capitalist era, but now under conditions of popular, rather than autocratic, control.<sup>2</sup>

### THE CULTURE OF CAPITALISM

A final factor deserves at least brief mention—the influence of capitalistic enterprise on the cultural pattern of society. It is self-evident that the economic system, whatever its form, permeates almost every instance of human behavior—the standard of living, conditions of health, habits of food and dress, amusements, political outlook, social level, even personal values. Human behavior is unavoidably tied up with the amount of income earned and the relationship in which individuals stand to the economic system.

So pervasive has been the character of this economic regime, and so remarkable its accomplishments, that the material aspects of Western civilization are conceivable only as a result of its processes. Even the sharpest critic of the system, while predicting its eventual breakdown, concedes that during its historical era no other method of enterprise could have so rapidly increased the productive

<sup>2</sup>This stage of development will be treated more fully under State Capitalism in Chapter 4.

capacity, the aggregate wealth, or the living standards of mankind.

It is no wonder, then, that capitalism, urged on by the dynamics of wealth acquisition, has left a profound imprint upon the character of social institutions wherever it exists. To appreciate this fact it is necessary only to observe the contrasting values claimed by alternative economic systems.

## CHAPTER 5

### State Capitalism

(State Socialism)

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The natural progress of things is for liberty to yield and government to gain ground.

—THOMAS JEFFERSON

THERE are four groups whose interests may be said to be involved at all times in the economic process—enterprisers, workers, consumers, and government. Under the regime of laissez-faire capitalism, it was clear that the real power to make decisions regarding such matters as the uses of capital, the nature and quantity of goods, and the conditions under which labor was to be employed rested primarily with the enterprisers. This preferred status was made even more pronounced by the fact that, although employers were left free to organize in trade associations, workers were at first forbidden to do so. Theoretically the worker was at liberty to bargain with any employer for his wages, hours, and general working conditions; but in reality he had no choice but to accept the pitifully low wages, the excessive hours, and the miserable working conditions that prevailed everywhere during the Industrial Revolution. Furthermore, Adam Smith and Ricardo had expressly posited the success of a free enterprise system on the exercise of unlimited competition; but almost from the first there arose the monopolies and business combinations which once caused the former to complain that “people of the same trade

seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices."

In brief, there was absent from business enterprise the automatic self-adjustment and compensating balance of interests that were presumed to inhere in a competitive economy. The history of industrial relationships during the nineteenth century is a record of the efforts of workers, consumers, and government to redress the balance of economic power in their favor.

### BEGINNINGS OF STATE INTERVENTION

In response to a growing agitation for factory reform, the first of a series of remedial acts was passed by the English Parliament in the 1820's. Despite bitter and prolonged resistance, the body of such legislation showed an increase with each decade—particularly after 1867, when the effects of a greatly broadened franchise began to be felt in England. Eight years later the prohibition against working-class organizations was lifted, and permission was granted for workers to bargain collectively, to strike, and to picket. By the latter part of the nineteenth century it could be said that the classic liberal notion of the state as a negative institution, whose meddling in economic affairs could only be harmful, was gradually yielding to a recognition of the state as an instrument of public welfare.

In this vein the political philosopher T. H. Green, writing in 1880, declared that the time had come for a restatement of liberal theory with regard to the function of the state. It was already apparent, he said, that individual freedom was not to be equated with mere absence of restraint; indeed, that had already resulted in the erection of a set of privileges by the more aggressive members of society at the

expense of the others. Genuine freedom is possible only when there is full equality of access to its enjoyment. The state is therefore not only justified, but morally bound, to intervene by legislative remedies whenever the public welfare requires. At no time is a private privilege to be allowed to jeopardize a claim of the community.

It should be noted that in England, as in the contemporary Germany of Bismarck, this type of legislation was essentially the product of enlightened capitalism. Far from being socialistic in purpose, it was intended rather to short-circuit the radical demands of socialism by removing the abuses that most rankled in the minds of the working class. Aside from its humanitarian values, such measures as increased wages, reduced hours, safer working conditions, improved sanitation, and social insurance contributed to the efficiency of production and the widening of the market for goods. Those who opposed the legislation did so largely on principle, contending that it opened the way to socialism and to the eventual tyranny of the state.

#### DEVELOPMENT OF THE TREND

Whatever the purposes or motives involved, the trend toward government participation in economic affairs has come to affect every industrial nation, more acutely in recent years than ever before. It is this trend to which has been given the name state capitalism, or, in a sense to be distinguished later, state socialism. The movement everywhere signifies a frank abandonment of the earlier conception of business as a strictly private matter, and affirms the right of government to intervene for whatever purpose it may feel is required by public necessity.

As such, a condition definable as state capitalism is to be found in all stages of maturity, from the relatively mild

version of the American "New Deal" to the totalitarian completeness of German, Italian, and Japanese fascism. In each case the state has encroached upon the exercise of property rights to the point where governmental regulation, ownership, or control affects to a greater or lesser extent the decisions of enterprisers, workers, and consumers.

### FACTORS UNDERLYING INCREASED INTERVENTION

It is evident that a number of factors have contributed to this tendency in varying degrees. In the first place, the economic processes of a state have always been affected by political and military needs; modern economic warfare has magnified the importance of this factor. Secondly, the government has been increasingly called upon to cushion the shocks of cyclical depressions; emergency controls, once installed, have tended to remain. Thirdly, the growing influence of organized labor has forced the state to assume responsibility for industrial relations, price and wage levels, social insurance, re-employment, and the like. At the same time, consumers' interests have demanded protection against predatory business practices. Finally, the conviction has become widespread that government should assume the ownership and operation of such projects as private enterprise was unwilling or unable, or could not be entrusted, to operate: postal services, public roads, money control, water supply, soil conservation, regional power developments, bridges, and the like. Some impetus has been furnished by the desire of government and business leaders to offset the insistent demands of socialists for complete nationalization of the basic industries. All these, of course, are apart from the extraordinary measures imposed by governments during a period of war such as at present.

## FEATURES OF STATE CAPITALISM

The major part of industry, nevertheless, remains in private hands under state capitalism. Production is carried on for profit; freedom of contract still prevails; employers retain the right to hire and fire, and to prescribe wages and working conditions—but within limited scope. The state frequently owns and operates banking and credit agencies, transport and communication, and certain natural resources. It may act as monopolist in certain fields, such as liquor or armaments, either to safeguard the public interest or to raise revenue. Often it will subsidize private business for purposes that seem advisable or necessary, and again offer to "socialize" losses to encourage production in some field. Through fiscal policies, tax measures, or the threat of competition, the government exerts a strong indirect influence on private producers.

The administrative functions of government are necessarily enlarged under state capitalism, giving prominence to a pervasive "bureaucracy" which may or may not be responsible to public opinion. Numerous agencies undertake to secure conformance to the law; in some cases, to operate public enterprises. The attitude of the state may, in a word, be described as paternalistic. It interposes its political authority in the effort to reconcile economic individualism with the general welfare, to harmonize the conflicting demands of labor, capital, and the consumer—either in the role of arbiter or of master. There is a clear implication that in this process the freedom of individuals and of groups to act independently will be abridged.

No modern industrial nation has escaped the trend toward state capitalism. Especially since the First World War, government ownership and control of economic functions has been on the increase. With the onset of the world-wide de-

pression, in 1929, the private character of business in the United States and in many other countries may be said to have been definitely modified in the direction of collectivism.

### DEVELOPMENT IN THE UNITED STATES

In the United States the individualist tradition of business enterprise persisted without serious challenge till the end of the nineteenth century. This was due to several factors, among which may be noted the advantages of an expanding frontier, the comparative lateness of industrial development, the seemingly unlimited resources of the country, and the constitutional check upon legislation affecting contract and property rights. The division of powers between the Federal government and the State governments also tended to forestall uniform social legislation.

Aside from recurrent tariff measures, two pioneer acts of importance in this respect deserve mention: the Interstate Commerce Act of 1887, which established regulatory control, including rate-making, over interstate transportation; and the Sherman Act of 1890, under which (as modified by Supreme Court interpretation) trusts or business combinations "unreasonably restraining trade or commerce" were declared illegal—a clear attempt to re-establish competition in the interests of both business enterprise and the public.

Although the tempo of similar legislation was speeded up with the turn of the century, it was not until the collapse of industry in 1929 and the resultant depression that a comprehensive body of remedial measures was enacted under the administration of President Franklin D. Roosevelt. Broadly speaking, the New Deal had as its primary purpose the stabilizing and rehabilitating of capitalist institutions; secondarily it was designed to advance the interests of workers and consumers. The National Recovery Act, the most

publicized of these measures, sponsored the adoption of codes of fair competition for each industry, with provisions to protect the rights of labor and the buying public, as well as the enterprisers themselves. The NRA was declared unconstitutional by the Supreme Court, as were several other sweeping measures, but subsequent New Deal legislation found its way into almost all phases of business conduct. It requires only a simple enumeration of the public agencies created to administer the new legislation to suggest the remarkable extent to which governmental intervention had proceeded in America by the outbreak of war in 1941.

Yet, great as was the outcry by businessmen and others against some or all of this legislation, there was never any doubt that the underlying purpose of the New Deal (whether effective or not), was to buttress more strongly the capitalist structure. In advancing his program President Roosevelt did not, in the aggregate, venture beyond the standards of economic readjustment established as a matter of course in England, Sweden, Australia, New Zealand, and other countries many years before. The simple fact was that, under the impact of industrial necessity, the public temper demanded measures which would regenerate the economy and insure a greater measure of security against future hardship. In the circumstances the President furnished the lead, Congress heeded the prevailing sentiment, and the Supreme Court for the most part "followed the election returns."

So it was that, even before the war emergency came, the government of the United States had entered the realm of business, for the purpose, among other things, of assuring the normal functioning of competition; of regulating the conduct of public utilities; of providing a system of social insurance; of establishing an equality of bargaining power between labor and capital; of extending or guaranteeing

loans to producers, farmers, and home builders; of supervising the issuance of securities; of adjusting the value of currency; of subsidizing both the expansion and restriction of farm crops; of protecting consumers against fraud and misrepresentation; of forestalling the failures of banks and businesses; of preventing the exhaustion of natural resources; and, on its own initiative, of engaging in a wide variety of business ventures. In some cases the enactment of measures came as a response to the importunities of business; in most, as the result of "pressure" by one or more organized interest groups.

It is safe to say that the exigencies of the present war have injected a degree of economic control by government not before approximated in American history. This is equally true of the other countries involved in the war, and gives but little clue to the disposition of economic functions after the return of peace. It can only be ventured that, although most of the extraordinary war controls are likely to be relinquished, few nations will find it feasible to return to any condition recognizable as *laissez faire* in government-business relations.

#### BY WHOM, FOR WHOM, AND TO WHAT ENDS?

Despite the impressive growth of state intervention, the economy of the United States remains basically one of private enterprise, with substantial modification but not elimination of its typical institutions. It is no inaccuracy to term such a society "democratic" (as opposed to the authoritarian state capitalism of the fascist nations), so long as the sources of political authority remain in the whole people and can be effectively exercised by them through free expression of opinion, a secret ballot, regular elections, and an independent judiciary. Accordingly, in attempting

a proper estimate of state capitalism as it exists in this or any other country, it is necessary to seek out the answers to these questions:

1. By whom is the power of the state administered?
2. For whose benefit is state intervention assumed?
3. To what ends is it directed?

Among the criteria involved in making adequate judgments on these issues are the following:

1. Does the government rest on popular consent and are elected officials responsible to their constituents?
2. Is there effective freedom to criticize governmental policy and to initiate opposition?
3. Are the results of state operation and control clearly intended to benefit the whole population or just a segment?
4. Can labor express itself as an independent force, or does its welfare lie in the hands of employers and the state?
5. Does any single economic group unduly influence governmental policy?
6. Finally, for what purpose does government intervene? Is it (1) with the primary object of preserving capitalism, (2) to pave the way to a new economic system, (3) to favor a particular economic class, or (4) to combine both political and economic power in few hands for more ulterior aims?

### STATE SOCIALISM

The name "state socialism," when used interchangeably with state capitalism, is apt to be misleading. The term is properly applied to an economy in which the government has already largely secured control of basic industry, with the definite aim of complete nationalization.<sup>1</sup> But state socialism differs from orthodox socialism in that it is likely to be based on middle-class rather than working-class sup-

<sup>1</sup>As contemplated by Fabianism. See Chapter 14.

port, it relies mainly upon political action to effect the transition, and it does not contemplate a radical revision of social values and institutions. For these reasons Marxian socialists regard with deep distrust the increase of state power unless the government has been placed under working-class control and is clearly aiming at ultimate socialism.

A state socialist program, inspired by Ferdinand Lassalle in Germany, paralleled the early development of Marxian socialism, and the two movements vied for a number of years for control of the German working class. In contrast to Marx, Lassalle looked upon the state as a benevolent institution with whose aid socialism could be ushered in by gradual stages—chiefly by way of producers' co-operatives. A like attitude, even more pronounced in its dependence upon an enlightened and idealized state, was popularized in the writings of the German "academic socialists" during the 1880's. Its most notable protagonists—Adolf Wagner, Gustav Schmoller, and Albert Schaeffle—were equally critical of Marxism and of laissez-faire capitalism; their goal was a peculiarly nationalistic form of socialism, in harmony with public ethics, which would come into being imperceptibly along pragmatic lines. Proposals made during the nineteenth century by such men as Rodbertus, Louis Blanc, and Friedrich List are to be placed in the same category.

## CHAPTER 6

# Utopianism

With a tear for the dark past, turn we then to the dazzling future, and veiling our eyes, press forward.

—EDWARD BELLAMY

MUCH of the content of modern social doctrines—and of many contemporary practices as well—find their sources in the writings of early utopian reformers. Utopian thought may be defined, briefly, as the attempt to escape from an imperfect society into one so conceived as to fulfill ideal human values. In the *Republic* of Plato, written some twenty-four hundred years ago, we find one of the great classics of utopian thought, in this case outlining a society organized wholly on the principle of justice; but for our present purpose we shall be concerned only with those ideal commonwealths which are designed to correct the evils of modern industrial society. The shortcomings of existing institutions is always the theme of utopias; each version, no matter how fanciful, assumes its own problems as the point of departure.

### THE UTOPIA OF SIR THOMAS MORE

It was during the critical period of transition in England from the medieval agrarian to the newer commercial economy that the *Utopia* of Sir Thomas More was published.<sup>1</sup>

<sup>1</sup>The date was 1516. The name "Utopia" was coined by the author from the Greek, meaning literally "nowhere," and referred to a mythical

The profitable trade in woolgrowing had resulted in converting large agricultural areas from crop into pasture land, with the consequent dispossession of thousands of tenant farmers. Suffering was widespread, both in the country and in the towns. There was as yet insufficient industry to absorb the unemployed, and England was swept by an unprecedented wave of crime. Instead of seeking measures to alleviate the distress, the government responded with imprisonments and executions.

It was with this tragic state of affairs that More compared the conditions of life in his imaginary Utopia. At the very moment when the nations of western Europe were entering upon the industrial era, More was inspired by a longing for the medieval ideal of small, co-operative communities in which class interests were constructively merged. The proper aim of society, as he saw it, was to provide conditions for the moral and intellectual growth of mankind—and for this it was necessary that material comforts be made available to all, that the excesses of poverty and wealth be eliminated, and that the energies of men be turned into paths of co-operation rather than of struggle.

The desire for acquisition, More felt, lay at the root of human misery; therefore, since the passion for gain depended upon private property, there prevailed in Utopia only common ownership of land and resources. Each class of workers was equipped to exercise its proper function in the economic scheme, and, each being fairly rewarded for its share in production, there was neither wealth nor poverty to inspire conflict. No one was permitted to be idle

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island in the south Pacific. Since then the name has been applied to all fanciful or ideal societies.

More held for a time the high position of English Chancellor; he was forced to resign because of his opposition to the policies of Henry VIII, and was later executed by order of the King.

until after the age of retirement, when he became free to enjoy whatever cultural diversions he wished; yet, because the economy was devoid of competitive wastes, the work-day was but six hours. The sick were afforded free medical care, and the whole population was provided with compulsory schooling. Government was simple and direct; officials were democratically elected, their powers limited, and the public revenues closely supervised. Far in advance of his age, More proposed for his Utopia full religious tolerance, equality of the sexes, and a modern system of penology.

### JAMES HARRINGTON

In James Harrington's *The Commonwealth of Oceana* (1656) private ownership of land continues to be regarded as the main cause of social conflict. But Harrington grasped, better than any other thinker of his time, the nature of the economic revolution then transforming the political and social relations of men. His recurring thesis is that the control of property, especially in land, determines the character of the political structure, and he observed that, if property were universally distributed among the population, sentiment for its protection would necessarily issue in a republican form of government. The Commonwealth of Oceana was a society "of laws and not of men." It was to be insured against tyranny by the special devices of a written constitution, a two-house legislature, frequent elections, the secret ballot, and separation of powers—proposals then strangely novel, but now familiar features of democratic government. It may be added that Harrington offered his *Oceana* to the attention of Cromwell but, needless to say, without tangible results.

## NINETEENTH-CENTURY UTOPIANISM

With the onset of the Industrial Revolution the pattern of utopian thought becomes more clearly socialistic. The regime of *laissez-faire* capitalism, while amassing huge profits for industrial enterprisers, brought unparalleled misery and destitution to the working class. Individualist theory forbade any interference with the operation of "natural economic laws," so that even the feeble safeguards of earlier practice were abandoned. The new Protestant ethic was itself individualistic in temper; the social conscience of the medieval Church had been swept aside together with its rejected authority, and no alternative morality had yet emerged to protect the victims of economic freedom. The new dispensation exalted the rights of property above those of both government and people.

Utopian thought now began to recognize more clearly the nature of industrial society and the conflicts inherent in the division between property owners and non-owners. Almost without exception the new reformers attacked the basic premises upon which that society was founded. Pointing to the widespread prevalence of poverty, ignorance, crime, and disease among the working class, they denied the validity of natural economic laws which purported to promote well-being. They saw in private property ownership the roots of social injustice, which they felt could be cured only by restoring to the community as a whole the means of its livelihood. There was disagreement among the utopians as to the measure of state control in their ideal commonwealths, but they were as one in rejecting personal acquisitiveness as the mainspring of enterprise. Accepting the fact of the new industrialization, they sought to convert machine technology into an instrument of universal well-being; but they placed their faith in the methods of co-

operation and equality of reward, as against competition and exploitative gain. In doing so they reversed the prevailing formula that social harmony could be acquired through individual freedom, by claiming that personal happiness was possible only as a consequence of community well-being. In the utopian scheme the economic structure was conceived only as a means to this desired end. A maximum of material comfort for all was felt to be essential to the enjoyment of the good life; this, rather than the pursuit of wealth for its own sake, was at the bottom of the preoccupation with economic reform.

### SAINT-SIMON

The range of utopian patterns proposed during the eighteenth and nineteenth centuries was inevitably broad. In his *New Christianity* Saint-Simon urged a re-dedication of society to the principle of human brotherhood. His community was to be led by men of science, and to be motivated by spiritual aims. Production property was to be socialized, and employed to advance the common good; everyone was to produce according to his capacity, and to be rewarded on the basis of individual merit. Inheritance would be abolished, however, since it denied the principle of reward for accomplishment.

Saint-Simon was deeply impressed with the productive powers of the new industry, and his program was more than anything else an attempt to harness economic processes for the betterment of humanity. His appeal was directed, not to the underprivileged alone, but to the mind and conscience of all classes.

### FOURIER

Charles Fourier, a philosophical anarchist by conviction, contended with most other utopians that human beings were

inherently good if allowed to follow their natural desires, but that their lives had been warped by the corrupting institutions imposed upon them. Himself an experienced businessman, he condemned the wastes of competitive enterprise, and outlined in meticulous detail a project for a system of "phalanxes" or co-operative communities—each to be composed of a group of workers and technicians assured of a minimum income, and sharing the surplus on an equitable basis. Agriculture was to be the chief pursuit of each phalanx, and industrial occupations were to be so carefully assigned that work would become pleasant and creative rather than burdensome. The land was to be scientifically cultivated, and natural resources carefully conserved. The major part of producers' goods would be privately owned, but ownership in each phalanx would be widely diffused among the members through sale of shares. "Parasitic" and "unproductive" occupations like those of stockbrokers, soldiers, philosophers, economists, and most middlemen would be eliminated. The education of children would seek to encourage their natural vocational aptitudes, along lines that strikingly suggest modern "progressive" education.

Elements of Fourier's system found a wide appeal, not only in Europe but in the United States, where it numbered among its advocates Horace Greeley, Albert Brisbane, C. A. Dana, Hawthorne, Emerson, Thoreau, Henry James, Margaret Fuller, and James Russell Lowell. The most famous of American utopian colonies, Brook Farm, was an experiment in Fourierism. The colony endured for eight years, but was dissolved in 1849 after a disastrous fire had destroyed its main properties.

## ROBERT OWEN

In England the name of Robert Owen was pre-eminent during the early nineteenth century as the advocate of humanitarian reform and utopian socialism. A successful textile manufacturer, he first attracted attention by establishing in New Lanark a community of which an American observer wrote: "There is not, I apprehend, to be found in any part of the world, a manufacturing community in which so much order, good government, tranquillity, and rational happiness prevail."

From this first experiment in demonstrating his thesis that the social environment shapes the lives of men, Owen turned to sponsoring legislation that would remove some of the worst evils of industrial society. His demands were modest enough—reduction of the working day to twelve hours, prohibition of labor for children under ten years of age, public schools for elementary education, etc.—but even these society was not ready to adopt. In subsequent years Owen successively promoted, with undiminished zeal, the creation of co-operative societies, the formation of trade unions, labor banks and exchanges, a program of workers' education, an Anglo-American federation, and the establishment of communistic experiments. Robert Owen lived to see few of his reforms adopted, but his untiring efforts in the cause of humanitarian improvement have left their imprint upon much of modern industrial life.

## EDWARD BELLAMY

Perhaps the best known, and certainly one of the most prophetic, of nineteenth-century utopias is Edward Bellamy's *Looking Backward*,<sup>2</sup> an imaginary visit to the Boston

<sup>2</sup>First published in 1887 and reprinted frequently since then in several languages.

of the year 2000. Here the theme is thoroughly modern. Industrial civilization has been brought under such rational management as to make possible a high standard of living for all. The whole nation is organized as an industrial army, each person functioning in the capacity for which his training and merit have fitted him. The national productive machinery, including land, is owned in common. The competitive struggle with its wastes has been removed, and economic planning on a national scale is utilized to gear the production and distribution of goods to their proper demand. Complete equality of income prevails; money and banking have been abandoned in favor of a simple credit card system on which purchases are recorded. Work is compulsory from the age of twenty-one to forty-five, after which citizens are retired on full pay with freedom to enjoy the diverse cultural activities to which they may be inclined. By removing both the fear of insecurity and the evils of ostentatious living, industrial conflicts are eliminated, crime reduced to a minimum, and social harmony made possible.

The administration of the national economy is carried on by means of workers' guilds, each group of related industries being organized in a "department." Business administration thus completely supplants political agencies. Industrial officials of the several grades are elected and serve in a sort of hierarchy of government, with a President at its head.

Not only has this highly rational and efficient system been established in the United States, but the other advanced nations have followed its example. A "federal union," within which the nations remain largely autonomous, has been organized for mutual advantage. Free trade prevails, with the shipment of goods and the adjustment of trade balances supervised by an international council.

Like most of his predecessors, Bellamy provides free education to the highest level for all who display the requisite talents. Women are granted absolute equality with men in all respects, and in addition are afforded "a world of their own, with its emulations, ambitions, and careers."

The literature of utopian thought is highly prolific, and continues undiminished to this day, adapting itself to the deficiencies and the achievements of each generation.<sup>3</sup> Some proposals are frankly of the escapist type, but in the main they suggest a conscious and sincere attempt, like the examples cited above, to apply rational principles to the re-organization of society.

### SHORTCOMINGS AND ACHIEVEMENTS OF THE UTOPIANS

The utopians were utopian precisely because they failed to provide practical ways for the realization of the ideal society which they described. They paid little or no attention to the temper of the people concerned, the inertia of institutions, or the inevitable opposition of entrenched groups. They lacked a sense of history, of the continuity of human life; they showed no awareness of social change and its reactions, of human diversities, of the natural imperfections of men and women, of the complex motivations from which actions derive. Their plans, moreover, were too rigidly conceived, too unyielding, too intolerant of individual desires; the uniformity was too oppressive. There was a naïve faith that universal happiness would be permanently established once the utopian blueprint was made real.

Yet such utopian architects as More, Saint-Simon,

<sup>3</sup>See, for example, Aldous Huxley, *Brave New World* (1932); Austin Tappan Wright, *Islandia* (1942); and the several fantasies of H. G. Wells, among them *A Modern Utopia* (1905) and *The Shape of Things to Come* (1933).

Fourier,<sup>4</sup> Campanella,<sup>5</sup> Owen,<sup>6</sup> Cabet,<sup>7</sup> and Bellamy have exercised a profound influence upon modern thought and present-day social institutions. In picturing forms of society "nearer to the heart's desire" than the drab counterparts that existed in fact, they pointed up as never before the idea of human progress and the possibilities of future betterment. Recent history has rarely given us more acute criticisms of the evils of political autocracy, of economic exploitation, of social inequality and class discrimination, than were enunciated by these earlier writers. At a time when the measure of national policy was the glory of the ruling elite, utopians stressed the novel conception of mass welfare. They were among the first to show the integral relation of economic practices to human welfare, and to suggest the infinite possibilities of technological improvements. Property, they declared in words that have been echoed and re-echoed many times since, was invested with a social responsibility—its use was to be always directed to the common good rather than to individual enrichment. The utopians introduced what was no less than a transformation of values in picturing mechanical improvements—which they foresaw in a remarkable degree—as being consciously employed for mass betterment. The machine was to become the servant, not the master, of man's destiny. Francis Bacon, particularly, cast scientific advancement in the role of human liberator.<sup>8</sup> The utopian goal was at all times universal human happiness, the provision for the fullest self-realization of every individual through the harmony of common effort.

It was toward this end that they focused attention upon

<sup>4</sup>*The New Industrial and Social World* (1819) et al.

<sup>5</sup>*City of the Sun* (1623).

<sup>6</sup>*The Book of the New Moral World* (1836) et al.

<sup>7</sup>*Voyage to Lézariz* (1842).

<sup>8</sup>In *The New Atlantis* (c. 1623).

the need for social co-operation as the alternative to competition: utopians were in general anti-capitalist, pro-democratic, and pro-socialist. They were advocates of religious tolerance, of universal free education, of equality of the sexes, and of internationalism. As their society was to be based upon equality and co-operation, they proposed, with some exceptions, communal ownership of property, approximately equal rewards for work, generous provision for the retired and the disabled, abolition of "unearned" income, and punishment for chronic non-producers.

### UTOPIAN EXPERIMENTS

Utopian experiments were numerous, notably in the United States where circumstances seemed most congenial, but few lasted any length of time or left any tangible mark on social behavior. Underlying each experiment was the conviction that the success of an ideal community would soon induce others to follow its example, so that the principle would quickly spread over the nation and all the earth. But the essentially unrealistic outlook of the utopians, together with the impossibility of self-sufficiency in such groups and the need for compromising with the surrounding world, brought an early end to their attempts.

The real residue of utopian thought is to be found in the more practical social doctrines to which it gave impetus, and in a number of accepted principles and practices which have by now become the common property of many of the civilized nations of the earth.

## CHAPTER 7

### Marxism

Philosophers have only *interpreted* the world in various ways; the point, however, is to *change* it.

—KARL MARX

IT HAS been said of Karl Marx that he found socialism a conspiracy and left it a movement. It is at least certain that pre-Marxian socialism bore almost no resemblance to the doctrines that are prevalent among socialists today. The utopianism of Owen, Fourier, and Saint-Simon was, in varying forms, a vision of ideal human society, ingeniously contrived, convincing in its indictment of private property, but devoid of historical perspective and largely unaware of economic processes. Almost no attention was paid to the mechanics of change; it was confidently expected that persuasion and example would suffice. Since men were both rational and moral, it was needed only to confront them with the prospect of the new society to have them discard the old. Reflecting, too, the eighteenth-century view of social phenomena as fixed and constant, the utopian projects were essentially static and perfectionist; established at a stroke, they were to remain unaltered.<sup>1</sup>

In contrast to this outlook, Marx conceived of both capitalism and socialism as distinct stages of historical evo-

<sup>1</sup>In essence, this was not unlike the view of liberal historians who assumed that the era of revolutions had come to an end with the rise of the middle class to power; or of the classical economists who, for their part, were ready to contend that the laws of capitalism were fixed and unalterable.

lution in a world undergoing endless adjustment and change. He contended that, just as capitalist enterprise could not have come into being until advanced productive techniques were evolved, so that system could not be succeeded by socialism until socialized productive relations and the rise of a non-propertied proletariat had supervened.

### MARX'S EARLY TRAINING

Karl Marx was born of middle-class German-Jewish parents at Treves, Germany, in 1818. He entered upon his studies at the University of Bonn during a period of rising intellectual ferment, and became deeply influenced, as did most students of the time, by the German philosopher Hegel. Forsaking the study of law, Marx devoted himself without stint to mastering the Hegelian system. Denied a position at the university after receiving the degree of Doctor of Philosophy in 1841, because of his non-conformist views, he turned to journalism, became editor of the *Rheinische Zeitung*, and immersed himself in a study of socialist literature. Within a short time he had formulated the main principles of the system that was to emerge as modern "scientific socialism."

### THE DIALECTICAL PROCESS

In his search to discover the underlying forces at work in social development, Marx adapted from Hegel the concept of the dialectical process. In the Hegelian version, historical evolution was pictured as the outcome of opposing forces inherent in nature: each historical tendency (the thesis) generates in the course of its development a contrary force (the antithesis) which, in the fulness of time and circumstance, proceeds to overcome the former; the

struggle issues in the creation of a new stage or tendency (the synthesis), a higher equilibrium in which remnants of the old become absorbed in the new. Thus social evolution proceeds from lower to higher stages by the interaction of opposites, which at the same time are causally related. The process is continuous and pervades every institution, whether consciously recognized or not.

But, while borrowing the dialectical method as a working hypothesis, Marx rejected Hegel's assumption that history consisted of the unfolding of the spirit or genius of each state, culminating in the ascendancy of Prussia over all Europe.<sup>2</sup> Marx construed history instead as moving under the stress of class struggles engendered by economic development, and culminating in the triumph of the industrial proletariat.

### UNITY OF THEORY AND PRACTICE

It is a significant feature of Marx's dialectical materialism that theory and action are declared inseparable. "Freedom," he once wrote, "is the recognition of necessity." That is to say, intelligent action can result only from harmonious co-operation with the historical course of events—from a recognition of the material forces at work. Thus a theory is valid only if it is grounded in the material facts of existence—the mainspring of human behavior. It was the weakness of the utopians that they ignored this fact, attempting instead to shape material conditions into their ideal mold without concern for their compatibility.

The task of the socialist is, therefore, with the aid of dialectic, to analyze the laws of movement in society and to

<sup>2</sup>Hegel attributed to the Germanic peoples the qualities of leadership and creativeness that were destined to make its culture superior to that of others. This claim, with its accompaniment, the exaltation of the nation-state, has been utilized in recent times by German fascism.

ascertain their direction—then to shape the strategy of revolt accordingly. The whole content of Marxism as a revolutionary program stems from this principle. Marxian tactics are to be kept flexible at all times, guided by the sole criterion: does this action, in these circumstances, bring the working class more closely to socialism?

### MARX AS WRITER AND REVOLUTIONIST

Throughout his life Marx remained the student and writer, but he carried on at the same time extensive agitational and revolutionary activities wherever his involuntary wanderings permitted—in Germany, France, and Belgium, and finally in England, where he remained for thirty-four years until his death in 1883. In general his efforts were devoted to two ends: the complete formulation of his theoretical system, and active support of working-class organizations.

The most striking statement of Marx's revolutionary program was made in *The Communist Manifesto*, prepared in collaboration with Engels in 1848 at the request of the Communist League, a group of exiled German radicals. The term "Communist" was deliberately chosen to distinguish the organization from reformist and utopian socialist groups. In 1865 Marx appeared as the moving spirit in the formation of the International Workingmen's Association, commonly referred to as the "First International."<sup>8</sup>

From among the prolific writings of Karl Marx—essays,

<sup>8</sup>The organization endured until 1876, for a time with headquarters in New York. The "Second International" was formed in Paris in 1889, and has since represented the moderate, reformist socialist parties which were organized after 1872. It is still in existence and includes in its membership the Socialist party of the United States. The "Third International," formed in 1919, was until its dissolution in May, 1943, the central organization of Communist parties of the world, with headquarters in Moscow.

tracts, correspondence, and fuller works—some of the more important are the *Critique of Political Economy*; *The Holy Family*; *Capital*; *Value, Price and Profit*; *The Poverty of Philosophy*; and *The Communist Manifesto*. Friedrich Engels, himself a brilliant writer (*Socialism, Utopian and Scientific*; *Anti-Dühring*; *Origin of the Family, Private Property and the State*; etc.) collaborated with Marx on several of his works.

### ELEMENTS OF THE MARXIAN DOCTRINE

Marxism, then, may be defined as the theory and program of revolutionary socialism. Its groundwork is an analysis of history which traces the origin of social institutions to economic forces. As political theory, Marxism is a description of the class structure of society, in which the political state appears as the ruling instrument of the dominant class. As economic theory, it is a critique of the capitalist mode of production, an explanation of how labor is exploited by the owners of capital, and of how this process must inevitably lead to industrial breakdown. As a revolutionary program, Marxism outlines the tactics of class struggle, leading to the overthrow of the capitalist state and the establishment of a socialist society.

The chief elements of Marxism, described briefly below, form the basis of the two major social doctrines: evolutionary socialism and revolutionary socialism (communism). The latter of these follows the Marxian analysis in all important details. The former, evolutionary (or gradualistic) socialism, stems from a "revised" Marxism, in which the theory of class conflict and the need for revolutionary action have been deleted. To the original doctrine formulated by Marx and Engels, Lenin later added an analysis of

capitalism in the "imperialist" stage and clarified the tactics of revolutionary struggle.<sup>4</sup>

### MATERIALIST INTERPRETATION OF HISTORY

Marx concerns himself first with a search for general laws of historical development. Society, he concludes, must be regarded as a dynamic process undergoing constant change, continuously experiencing the growth, development, and decline of its forces. Throughout this process there is a cause-and-effect relationship, so that each phase of history in a given society necessarily contains the principal elements of the preceding phase, and in turn furnishes the soil out of which the succeeding phase will grow.

Historical development springs from the interaction of men with the material conditions in which they live. Human capacities, mental and physical, are combined with the resources of the natural environment, in the endeavor to provide goods and services usable for mankind. There arises of necessity a compatible form of social organization through which the processes of production, distribution, exchange, and consumption may operate. Upon this structure is erected in turn the whole complex of human relationships, the institutions of civilized society—legal, political, ethical, and cultural.

The character of the whole structure, according to Marx, is thus conditioned by its economic base. Social classes take shape in response to their share in, and control of, wealth production. The law is written to safeguard existing property relationships, and the state reflects the will of the dominant economic group. Foreign policy is guided by industrial wants, and by competition on the imperialist level.

"The terms "Leninism" and "Bolshevism" are used to describe the application of Marxism to the transformation of Russia into the first socialist society.

Even social morality is the subtle expression of materialistic factors. Moreover, the educational process provides the medium through which this entire culture is transmitted and preserved. "In every epoch the ruling ideas have been the ideas of the ruling class." Marx expresses no ethical judgments with regard to these phenomena, simply recording them as what he believes to be observable facts. Other forces in history—the power of ideals, great leaders, religious impulses, and the like—Marx does not deny; but these, he contends, sprang from, and were shaped by, the material factors of their environment, then in turn reacted upon those conditions. The essence of ideals, for example, is that they represent an attempt to alter, or to escape from, the realities that exist. This is not to say that man's ideas and actions are absolutely determined by his economic life. But he can think and act, not in response to disembodied abstractions, but only in relation to the world pattern about him.

### THE CLASS STRUGGLE

The processes of wealth production in any given society, Marx continues, are in a state of constant alteration as improved methods of technology are invented and applied. It was thus, for example, that the small-scale handicraft economy of the Middle Ages was forced to give way before the factory system of machine production. Invariably new social relationships, taking their cue from the revised property status, accompany such changes. Economic classes are organized on the basis of their participation in wealth production, whether as master or slave in early times, or as owner, investor, or wage earner in modern times. Each group arises naturally as a result of the common status and unity of interests among its members. Each class seeks to obtain for itself a larger and larger proportion of the total

income produced, the dominant class arrayed always against those who threaten their power and property.

The struggle is only for a time confined to the economic field, from which it spreads to the political arena. Here the central fact in history, Marx asserts, has been that the dominant economic class has brought the political state under its own control, realizing that only by this means could its economic power be consolidated. The state in its historic role is, therefore, not an impartial body dispensing evenhanded justice, but rather the product of class antagonisms in society, the "executive" of the owning class.

Whereas the shifts in economic techniques and the need for new relationships develop imperceptibly and bring with them the demand for a transfer of control, the outmoded economic class invariably refuses to surrender its political dominance to another. There follows an intensification of the struggle. The emerging class, finding itself everywhere hampered by an outworn social structure, is finally compelled to seize political power by forcible means, erect a new state in sympathy with the changed form of economy, and make legal the new property relationships. The history of society, says Marx, has been the history of such class struggles.

### THEORY OF SURPLUS VALUE

In the era of capitalism, Marx continues, the class alignments have become greatly simplified and the issues of conflict much clearer. The essence of capitalism is the private ownership of the agencies of production by a relatively small class and the employment for wages of the large mass of workers in society. Economic relationships now group men increasingly into two opposed classes, each motivated by a desire for an increased share in the social income: the

capitalists (or "upper bourgeoisie"), owners of the instruments of production, who derive their income from rent, interest, and profits; and the "proletariat," the mass of skilled and unskilled workers, who have no means of obtaining a livelihood except by the sale of their labor power. Under the system of law formulated in their own behalf, the capitalists obtain a free hand in exploiting both the natural resources of the nation and the working class whom they employ. The method by which capital exploits labor under capitalism is described by Marx in the theory of "surplus value."

The eventual value of any commodity, he declares, is measured by the amount of labor necessary to produce it. (In this view, land is reckoned a passive agent, with machinery, materials, and capital all derived from previous labor.) The workers who actually produce the commodities, however, are paid not for their full share of the production but only a minimum wage determined roughly by their subsistence requirements. The capitalist sets the working day at the number of hours that will return in market price of the goods not only the amount of wages paid but a surplus fund as well. This surplus is pocketed by the owners of capital in the form of profits, rent, or interest. The worker, in other words, produces more in market value than he is paid for. This fact becomes reflected in a deficiency between his income in wages and the value of the goods he has produced for sale.

The resulting overbalance persists on the other side as well, with the capitalists unable to consume normally the total surplus they have acquired. The excess is then expended on luxury goods (while needed production suffers), or diverted to new investments at home or abroad. But this diversion, Marx claims, merely accentuates the contradiction inherent in a capitalistic economy: the tendency of

production to increase while the consuming power of the working population relatively decreases.

### OVERPRODUCTION AND DEPRESSION

As a result, capitalism becomes subject, after its initial stages of expansion, to a succession of deepening crises of overproduction, balanced by conditions of increasing misery for the workers. During its expansionist phase capitalism can absorb these setbacks by exploiting new markets, launching into the production of an ever greater proportion of luxury goods, selling on credit against the hope of future income, and reorganizing the capital structure by intricate financing. With the growing industrialization of backward nations, however, and with the erection of tariff barriers and the drying up of both foreign and domestic markets, capitalism enters upon a period of decline from which it cannot, by the very nature of its processes, recover. This final stage is marked by the widespread displacement of workers by machines, with consequent unemployment on a large scale; an actual decrease in production for the home market; the sacrifice of competitive enterprise to its opposite, corporate monopoly; and an intensified struggle for foreign markets and sources of investment that culminates in wholesale warfare among the capitalistic powers.

The exploitation of the workers by the owners gives rise to the class divisions of capitalist society. The ensuing conflict between the two classes, Marx affirms, is not a policy deliberately planned by either but is unavoidably impelled by the situation itself.

### PROGRESS OF THE REVOLUTIONARY STRUGGLE

Not only does capitalism contain the seeds of its own destruction, says Marx, but it brings into being the class

that will eventually encompass its overthrow. That class is the proletariat, the workers with hand and brain, the real producers. As the number of capitalists decreases through the steady concentration of economic control (the larger, more aggressive enterprises squeezing out the smaller), the ranks of the proletariat will be swelled by acquisition of the dispossessed.

As the effects of capitalist exploitation become more evident, the class struggle intensifies. The proletariat is educated to a consciousness of its mission in the overthrow of capitalism. The common plight of the workers will engender first an instinctive group loyalty, then active class consciousness. To this natural solidarity of the masses will be added the militant guidance of a group of trained leaders (the Communist party), skilled in an understanding of the economic processes and the tactics of social revolution. The struggle proceeds on every front—economic, political, intellectual. Workers are taught to organize; to bargain collectively for a greater share of income; to strike and boycott when necessary to win their demands; to build co-operative societies and form political parties devoted to these ends. Every tactic to dislodge capitalist control, gain concessions, and improve the lot of the working class is to be used in the struggle.

But concessions are not enough. The fight cannot ultimately be won until the control of the agencies of production has finally been wrested from the hands of private owners, and until the bourgeois state has been completely crushed. And here history has shown, says Marx, that no class ever surrendered its power and property without violent resistance. The workers must not be deluded by the vain hope that capitalism will consent to its own destruction. When finally threatened, it will use every agency at its command—the organs of propaganda, its huge wealth,

the political state, and the armed forces—to keep itself in power. The workers must therefore be prepared for a final revolution, a mass uprising which will end in the extinction of the capitalist state.<sup>5</sup>

### SOCIALIST SOCIETY

The purpose of the overthrow of capitalism is to establish a socialist society, the foundation of which is to be common ownership of the means of production and their operation for the general good. Class antagonisms, it is asserted, will be ended by the abolition of classes. There will no longer be owners and workers, but workers only. No individual or group will be permitted to live by the toil of others—that is, surplus value will be eliminated. Production will be organized on a planned basis, designed to eliminate competitive wastes and to supply a maximum of the needs wanted by consumers, without regard for profitability. Work will be available for everyone able to work, and with economic security assured there will be made possible a degree of individual freedom and comfort denied to the majority of workers under capitalism. The emphasis of

"It may be noted that Marx's insistence upon eventual armed insurrection did not preclude, either in his doctrine or in his personal activities, collaboration with "bourgeois" allies whenever an immediate gain was in prospect. Thus he engaged in the nineteenth-century struggles of parliamentarism against political autocracy. Present-day support by Marxists of New Deal reform measures is predicated on the same principle.

Although it is undeniable that Marxian doctrine is permeated throughout with the necessity of final revolt, the following passage, contained in a speech by Marx at the meeting of the First (Communist) International at Amsterdam in 1872, is often quoted as an offset:

But we do not assert that the way to reach this goal is the same everywhere. We know that the institutions, the manners, and the customs of the various countries must be considered; and we do not deny that there are countries like England and America, and, if I understood your arrangements better, I might even add Holland, where the worker may attain his object by peaceful means. But not in all countries is this the case.

socialist society will be placed upon co-operative living and collective responsibility.

### PROLETARIAN DICTATORSHIP

During the period of reconstruction, however, Marx declares, the victorious workers must establish a dictatorship to inaugurate their program and stamp out counter-revolution. The period of this dictatorship is indeterminate; it will last until a socialist economy is firmly secured, until all vestiges of bourgeois society have disappeared and the working class has grown to include the whole people. Until that time the proletarian state is frankly a class dictatorship of the emancipated workers over the opposition. When there are no longer opposed classes, the state, whose historic function has hitherto been that of class domination, will gradually "wither away," leaving only a skeleton of administrative agencies. Socialist society is itself but the intermediate stage to usher in communism, the completely classless, equalitarian society.

The historic progress of society from capitalism to socialism to communism will differ in the time required and in the circumstances under which each nation and people find it possible to move from stage to stage. In each country the process will follow the pattern of its own social and cultural background, the extent of its economic development, the degree of economic breakdown, the amount of acceptance of the Marxian program by the population, and the quality of the revolutionary leadership.

Marxism emphasizes the unity of working classes throughout the world and urges the primacy of class loyalty over that of any racial or national bond. The victory of socialism, Marx declares, cannot be complete until it shall encompass the workers of all the world.

## Socialism (Evolutionary)

All doctrines arise from the meeting of personal experience and historic events, and all doctrines in turn get their validity from the extent to which they illumine personal experience and explain or guide historic events.

—MAX LERNER

FROM the doctrine and program of Marxism are derived two major social movements: communism and socialism.<sup>1</sup> The first of these is generally accepted as completely orthodox—the application of revolutionary Marxian principles to contemporary society. As such, its elements will be dealt with in Chapter 9 under the heading Soviet Communism.

The second, evolutionary socialism, is described below. Although resting on a Marxian base, it will be found to have undergone important modifications. The reality of class conflict is acknowledged, but its role is minimized. Revolutionary action has been replaced by gradualistic methods. Reimbursement for socialized property takes the place of outright confiscation. Furthermore, the political state is to be converted to democratic purposes, not destroyed, and the proposal of a transitional dictatorship is altogether rejected.

It will be helpful, first, to select from among the various

<sup>1</sup>Elements of Marxism will also be found in such diverse doctrines as anarchism, syndicalism, guild socialism, Christian socialism, and Fabianism.

uses of the term "socialism" the sense in which it shall be defined here. Socialism is not the same as social reform; it should not be confused with occasional public ownership; it does not refer to any particular brand of government; and in its present-day form it bears only the remotest relationship to past experiments in utopian or ideal societies. In contradistinction to these, the main features of modern socialism may be summarized thus: (1) an attack on the prevailing mode of production and the distribution of income under capitalism; (2) a rough blueprint of the processes of a socialist economy; and (3) a plan of action to effect the transformation.

### ORIGINS OF REVISIONIST SOCIALISM

Already during the later period of Marx's writing, the rigorousness of his class-war doctrine was being called into question. The most effective opposition came, not from the laissez-faire economists, but from among other socialists who challenged the revolutionary implications of the doctrine. In 1863 Ferdinand Lassalle, a brilliant and energetic scholar, won the leadership of the German working-class movement with a program which, although it accepted Marx's analysis of capitalism, placed its faith in producers' co-operatives and political progress by way of the ballot. German nationalism remained a strong factor in the socialism of that country at all times, and Lassalle was confident that a working-class party could ultimately win over the state apparatus and turn its functions into democratic-socialist channels.

Lassalle's party of moderate socialists grew steadily through the 1860's and '70's, but its strength was finally sapped by attacks from two directions: Bismarck's enactment of paternalistic social legislation—disability insurance,

old-age pensions, etc.—which left the party with few immediate objectives of its own; and the growing success of the Marxian wing, which was profiting by the policies of repression directed against the working class as a whole. At the Erfurt Congress of German socialists in 1891 an almost completely Marxian program was adopted, affirming in words reminiscent of *The Communist Manifesto* the international solidarity of the oppressed classes and their determination to seize economic power through capture of the political state.

Almost coincidentally, however, Eduard Bernstein, a leader of the right-wing socialists and the "father of modern revisionism," was launching a vigorous theoretical attack on the doctrines of Marx as they were interpreted by the communist leadership. Re-examining the materialist interpretation of history, he drew special attention to the later statements of Marx and Engels in which they made it clear that economic factors were not alone the key to social development. A valid interpretation of history, Bernstein added, must also take into account the prevailing ideas of law and morals, the religious traditions, and the cultural temper of a society, as well as its geographical and other physical circumstances. Granting always the pre-eminence of economic relationships, Bernstein continued, it will be seen that with the advance of human society, ethical and intellectual factors approach something like independent status, modifying the force of material conditions on their own account.

Bernstein turned next to an evaluation of Marx's economic views. He interpreted the theories of value and of surplus value as no more than abstract and generalized portraits of labor exploitation—valid enough to expose the process as a whole, but incapable of measuring the actual maldistribution of income. Commodity value, moreover, was to Bernstein as much the product of subjective factors of consump-

tion as it was the measure of labor time incorporated in its manufacture.

Marx's analysis of the dynamic "laws of motion" of capitalist enterprise also came in for detailed criticism. Half a century after *The Communist Manifesto*, Bernstein declared, there was no evidence that the expected polarization of owner and working classes had taken place, or that the pressure of their competing interests would result in social convulsion. Capitalism, instead of producing its own "grave-diggers," was gradually improving the lot of the working class. The middle class as well was not being dispossessed and forced down into the ranks of the proletariat, but was rather increasing in numbers and wealth. Although capitalism continued to be subject to periodic crises, at least some of the wealth it produced was being distributed through various investment and profit-sharing schemes. The collapse of the system, then, while ultimately certain, could not be considered imminent, and it was futile for socialists to base their tactics upon the expectation of a cataclysmic breakdown which would permit forcible seizure of power.

Meanwhile, Bernstein pointed out, the working class had already succeeded in democratizing social and economic institutions. In many countries the franchise had been broadened, factory legislation enacted, trade unionism made legal, and the groundwork laid for further reforms. The immediate task of socialists was to push forward, by methods that would accord with the progressive spirit of the times, the achievements that had been initiated by liberals. Socialism was, to Bernstein, the logical outcome of the democratic movement. He opposed with vigor the use of coercive tactics or the proposal of a workers' dictatorship at any stage of the way. The transition was to be orderly and gradual. In the field of economic action, trade unions were to lead the way, assisted by co-operative associations of producers

and consumers; the farm population was to be protected against dispossession of its land, and to be aided in modernizing its techniques. Politically the two immediate objectives were universal suffrage and support of a democratic socialist party. Through these agencies socialism could evolve, gradually and peaceably, accepted by an increasing portion of the population as the logic of its program became manifest.

### THE SECOND INTERNATIONAL

The First International, which had been formed under Marx's direction in 1865, was composed of only a few thousand members, acting in the capacity of individuals rather than as parties. Its history was largely filled with the struggle between the Marxian socialists and the Bakunin anarchists. The organization expired in 1876. The years that followed saw the formation of parliamentary socialist parties in all the principal countries of Europe. The Second International, called into being in 1889, took shape as a loose federation of national working-class organizations. The associated parties were interested less in matters of doctrine than in practical co-operation to strengthen labor unity and improve living standards everywhere. A tangible contribution to this end was made with the establishment of an affiliated International Federation of Trade Unions, which met in regular congresses to promote uniform labor laws.

At successive meetings of the Second International valiant efforts were made to formulate a set of principles and a program upon which all parties could agree, but national differences were not to be so easily resolved. Two problems especially came to occupy the deliberations of the International whenever it met. The first was the question of socialist participation in "bourgeois" governments where the

party had won a large parliamentary representation, as in France. The unpalatable examples of Millerand, Briand, and Viviani in that country were fresh in the minds of the delegates, but agreement on this issue was impossible where such diverse attitudes as those of the British Fabians and the Russian Bolsheviks were represented.

Equally insoluble was the question of the socialist position with regard to militarism and the impending outbreak of war in Europe. Unity was reached at the Copenhagen congress in 1910 on resolutions demanding the limitation of armaments, abolition of standing armies, compulsory arbitration of disputes, repudiation of secret treaties, and a popular referendum on war. But there was disagreement on whether a "defensive" war should be supported, and when the great struggle broke out in 1914 a majority of the socialist leadership sprang without hesitation to the defense of their respective "fatherlands." For them it was a "war to end war," to dissolve capitalist imperialism, and to institute a democratic world. Others (the Independent Labourites of Great Britain, the Bolsheviks of Russia, the Italian socialists, and an important section of the party in the United States) denied the idealistic aims of the struggle, condemned the action of their governments, and demanded immediate peace without indemnities.

The dissolution of the Second International was hastened by defection of the more radical elements which left its ranks in 1919 to form the Third (Communist) International. But the following year a conference of socialists representing some twenty countries met in Geneva to revive the parent organization as the international agency of evolutionary socialism. In 1923 this organization was united with a smaller European labor alliance to form the present "Labor and Socialist International"—of which the Socialist party of the United States is a member.

## THE SOCIALIST PARTY OF THE UNITED STATES

Following the example of other nations, a Socialist party was formed in the United States in 1900, bringing together the forces of several labor and radical groups. Eugene V. Debs became its revered leader and its perennial candidate for President. The party began to show potential strength, polling some 900,000 votes in the elections of 1912 and 1920. But, as was the case in Europe, entry of the United States into the war shattered the party organization. A left-wing section, headed by Debs and Charles Ruthenberg, continued to oppose the war throughout, in accordance with the party's resolution of 1917. They were jailed for sedition. A right wing, led by Spargo and Russell, warmly endorsed the war and gave it active support. A center group under Morris Hillquit maintained a theoretical resistance. The Socialist party which emerged from the war has consistently followed a revisionist program, adapted to prevailing American institutions. For many years past, under the leadership of Norman Thomas, it has participated in local, state, and national politics, where it has at all times implacably fought the efforts of the American Communist party.

### DOCTRINES OF EVOLUTIONARY SOCIALISM

Despite the fact that socialists disagree in matters of detail no less than do adherents of other doctrines, it is possible to sketch an acceptable outline of the movement as it exists in the world today.

The core of socialist doctrine is the requirement that the ownership and control of the primary means of production, distribution, and exchange shall be vested in the whole people and operated by representative agencies to provide a maximum of economic well-being. In an ethical sense,

socialism seeks to create that material environment most conducive to the growth of harmonious and constructive relationships among men.

It is precisely because socialists deny that such harmony is attainable within a profit-motivated society that they insist upon the transformation of the economic structure. The indictment leveled against capitalist enterprise is basically Marxian: that, whereas the ultimate source of all wealth is labor, a large portion of the wealth currently produced is intercepted by non-producers through the instrumentality of rent, interest, or profits. The consequences of this practice display a division of society into opposed classes, extremes of poverty and wealth, huge wastage of resources, the spread of corporate monopoly, unemployment, and remittent international warfare. Ultimately, it is believed, this self-destructive process can be brought to an end only by reclaiming for society the ownership of its wealth-producing agencies. On the issue of how the change may be accomplished, socialists depart from orthodox Marxism in relying upon the success of moderate, constitutional means.

### CAPITALIST PRODUCTION

The socialist attack is directed fundamentally at the practice of permitting wealth production to depend upon the competitive struggle of individual enterprisers motivated by profit. It is freely admitted that during the pioneer stage of industrial development the prospect of private gain was necessary to encourage the taking of risks, and that the achievements of private enterprise in that period were impressive. But socialists maintain that since then the very processes inherent in capitalism have raised up a complex of problems so grave as to threaten the disruption of the whole social fabric.

Socialists oppose profit-making as the incentive of enterprise, not on moral but on economic grounds. When production is geared to the rate of profit, the result is often found to be a restricted output at high prices, rather than a plentiful supply at low prices. In support of this contention the socialist points to the fact of widespread underconsumption in the presence of idle land, labor, and factories, and to the deliberate destruction of goods to maintain price levels. Evidence is cited through such studies as that of the National Survey of Potential Product Capacity, which indicated that full use of the existing productive resources of this nation in 1929 could have yielded an income approximating \$4,400 average per family, and that the depression years 1930-34 cost the United States some \$287,000,000,000 in unproduced wealth. The roots of this condition, socialists point out, lie in the grossly unequal distribution of income. The wage-earning population receives too small a share to purchase what it needs, whereas the owners of capital are enabled to live luxuriously, accumulate larger surpluses, or divert their funds to foreign investment. At the same time, technological improvements designed to reduce the prices of goods or increase their length of service are frequently suppressed when their release threatens the flow of profits. There exists under capitalism, in short, a compulsion to scarcity because of the maldistribution of income inherent in profit-making enterprise.

#### COMPETITION DISTORTED

Socialists furthermore deny that competition is either beneficial or effective as the regulator of capitalist enterprise. On the one hand, it is claimed that competitive practices engender enormous wastes in production and distribution, much of it not only needless but harmful. At the same

time, it has become evident that the regulatory force of competition is rapidly being nullified by the invasion of corporate monopoly. Capital holdings have become increasingly concentrated in the hands of fewer and fewer owners as smaller units fall by the wayside. Dominance over the market by corporate monopoly makes the hazards of business almost prohibitive to the small enterpriser. In many fields prices and production are determined by agreement among major producers, instead of being subject to the free interplay of supply and demand. The actual ownership of industry, according to socialists, has passed from the hands of enterprisers to those of financiers and investment trusts. The slogan of free enterprise remains useful as a shibboleth long after the reality has passed. In actual practice, business has largely become a "by-product of the activities of a gambling casino."

#### INEVITABILITY OF BREAKDOWN

Nor is this self-destroying process to be considered a mere perversion of legitimate enterprise. On the contrary, socialists contend, all this is the logical outcome of capitalist development. From the first, its processes have contained within themselves the elements of their own destruction. So long as production must depend upon a multitude of independent, anarchic decisions, each producer being motivated by the urge to his own profit, the course of capitalist enterprise cannot be otherwise. Waste, depression, industrial crises, and the tragic consequences of unemployment must continue to burden an economy so organized. Piecemeal reforms, such as governmental intervention, manipulation of the currency, social insurance, or even increased wages for labor, can do no more than deflect for a time the inevitable breakdown.

It is the socialist view that, in common with the outmoded economic systems of the past, capitalism must in turn give way to an improved method of production and distribution. A transition to socialism is regarded as the logical next step in economic evolution. This sense of the reasonableness of its demands underlies the socialist conviction that the change can be made over a period of time without very serious disruption of existing institutions.

### TRANSITION TO SOCIALISM

Departing from Marxian doctrine at this point, socialists refuse to concede that the parliamentary state must necessarily be dominated by the property-owning class. Government is regarded instead as having been brought under popular control by means of universal suffrage and the grant of civil liberties. The task remains to convert the state to a program of socialism through the conquest of public opinion.

Specifically, the plan is to use three main agencies. A socialist political party will organize citizens as voters to elect sympathetic officials and to sponsor remedial legislation. Workers are to be organized in strong, class-conscious unions, preferably of the industrial type; their function will be not only to win immediate concessions but to furnish the nucleus for eventual self-government. Finally, both consumers' and producers' co-operatives will be fostered to promote the principles of non-profit enterprise, improve the standard of living, and serve as "industrial commissaries" when strikes occur.

Socialism is primarily a working-class movement but its adherents, unlike the communists, believe that it is possible to win the consent of the middle class to its program of change.

## BUILDING THE SOCIALIST ECONOMY

The inauguration of a socialist economy is to proceed by successive stages within the framework of the existing state. The principal resources and industries of the nation will be acquired gradually from their private owners under the right of eminent domain. Compensation will be paid, presumably on the basis of the physical values of the property—payment taking the form of low-interest-bearing, non-transferable bonds, secured by operating revenue. Steeply graded income and inheritance taxes would be used to reduce excessive wealth and prevent new accumulations.

The order in which the means of production would be socialized contemplates early acquisition of such public utilities as light and power, the munitions industries, and the banking system; following that, the gradual absorption of such natural-resource properties as mining, lumbering, and petroleum, industries engaged in the manufacture of capital goods, and units of a monopolistic nature. Small-scale distribution, handicraft, and agriculture would remain at least temporarily unaffected by the process, although brought within the scope of national planning. Especially in these latter fields, co-operative societies for the production and marketing of goods would be encouraged.

## ECONOMIC AGENCIES

The ownership and control of socialized properties would be lodged not with a single centralized government board but with a variety of public agencies—local, regional, and national. Thus local communities would own and operate such ventures as gas and electric service, municipal bus lines, housing, health, and recreation; states or regional units would conduct mining, milling, or packing industries; and

separate national agencies would be entrusted with such operations as a unified banking system, shipbuilding, transportation, and communication.

Over this whole structure of diversified ownership and management of enterprise would be established a permanent national planning board. The nature and volume of production would be gauged by the estimated needs of both consumers and producers; labor, machinery, materials, and technical ability would be allocated to each industry as required; the whole process would be co-ordinated by a balancing of the factors required to supply the needs of consumers and to replace and expand the means of production. Such a co-ordination of economic processes, together with an equitable distribution of total income, would in the opinion of socialists keep the economy operating steadily and continuously, free from unhealthy booms and depressions.

### INCENTIVES UNDER SOCIALISM

Socialists refuse to concede the pre-eminence of profit-making as the incentive to efficient production. They point out, first, that the chance to acquire profits is restricted to a very small portion of the population—those who possess capital or the means of production. The overwhelming majority in a capitalist society, the wage earners, are motivated by the simple desire to earn a livelihood. For them, socialists claim, the opportunities for a secure and comfortable living under socialism would be infinitely greater than those they now enjoy. Even more than capitalism, socialism puts a premium upon high productivity. The worker, technician, or scientist who contributes labor-saving devices is considered a social benefactor and rewarded accordingly.

It is further maintained that, although acquisitiveness is a common characteristic of human beings, its intensity has

been unduly heightened under competitive capitalism. Devotion to the public service, desire for power, acclaim, or sheer pleasure in accomplishment—these are cited as alternative motivations common among men of prominence at all times. Socialism contemplates a scale of wages, salaries, and bonuses for all types of services that is consistent with the formula: "from each according to his ability, to each according to his worth." In broad outline, this would differ little from wage and salary schedules under capitalism, except that inflated executive incomes and investment profits would be eliminated. Additional non-economic rewards, such as public recognition, degrees, and special honors would be offered to encourage maximum effort.

### DEMOCRACY UNDER SOCIALISM

With the establishment of "economic democracy" through collective ownership, socialists believe that the state will become more truly representative of the popular will than has ever been possible in capitalist society. Class divisions would no longer have a basis for existence. The corrupting effect of business interests on government would be removed. Through the exercise of popular suffrage, together with the right of recall and referendum, public opinion would be assured of direct control of both its political and economic representatives.

Similarly, with the exploitation of class by class removed, socialists foresee the creation of a social atmosphere marked by a degree of harmony greater than ever before realized. Coincident with the spread of socialism to other nations, it is believed that the major cause of war, imperialist rivalry for world markets, would be eliminated and a new order of peace ushered in for all mankind.

## Soviet Communism

In such great developments, twenty years are but as a day—and then may come days that are the concentrated essence of twenty years.

—KARL MARX

COMMUNISM is revolutionary Marxism in practice. Its first distinction from evolutionary socialism lies in its method: communists regard the class struggle as an inherent feature of capitalistic society, with the power of the state always in the service of the propertied class; the possibility of attaining socialism by way of gradual reform is therefore abandoned, and communists direct their strategy toward an eventual seizure of power by armed force. The second distinction lies in the ultimate aim: in communist doctrine, socialism is itself but an intermediate phase, a transitional step which must be consolidated under a workers' dictatorship—from which will finally emerge a society in which class divisions have been brought to an end, the police power of the state abolished, and the harmony of individual and collective welfare achieved.

The successful application of communist theory and tactics has been responsible for transforming capitalistic Russia into the present-day Soviet Union.<sup>1</sup> It is this system of

<sup>1</sup>“Soviet Union” is an accepted contraction of Union of Soviet Socialist Republics (USSR), the present official name of the territories formerly known as Russia. In the full name the word “Union” signifies a voluntary alliance of sixteen separate republics (at the time of the German invasion of 1941) acknowledging a common federal government; “Soviet”

economic, social, and political organization that is described below.

### BACKGROUND OF REVOLUTION

The fact that proletarian revolt came first, not—as Marx had expected it would—in a land where capitalism had run its full course, but rather in one hardly touched by industrial processes, may be explained by the peculiar circumstances of Russian history. Throughout the nineteenth century, while liberalism and capitalism were becoming solidly entrenched in most of Europe, Czarist Russia remained a politically backward and economically retarded state. The power of the monarchy was absolute, and it was rigorously exercised by a ruling bureaucracy that was corrupt, inept, and inefficient. Faced with the problem of amalgamating more than a hundred diverse peoples into a united nation, the government resorted to a policy of "forced Russification," which produced only disunity and resentment among the minorities.

Industrial development, in spite of the efforts of Peter the Great and Catherine II, was meager. The country remained overwhelmingly agricultural; by 1900 the peasantry still comprised four-fifths of the population. The land, source of welfare at home and of export wealth abroad, remained for the most part in possession of the nobility. Although serfdom was abolished in 1861, it brought small relief to the illiterate, oppressed, and debt-ridden peasant.

Yet the liberal and radical ideas of western Europe could not be kept out of the country, and the demand for land and constitutional reform grew increasingly after 1860.

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means simply a council of delegates, elected to represent constituencies of workers, peasants, and soldiers; "Socialist" identifies the economy as one in which common ownership of production goods prevails; the word "Republics" refers to the major political subdivisions of the Union, which possess limited self-governing rights.

When the government answered with suppression and mass exile of the discontented, the struggle took on the form of terrorism and assassination. With the beginnings of industrialism working-class parties made their appearance—the moderate Social Democratic Labor party in 1896, the more radical Social Revolutionary party in 1901. It was at the second congress of the former, held in 1903, that a split occurred between the factions that were to become known as *Mensheviks* (minority) and *Bolsheviks* (majority). The Menshevik program was moderate, limiting itself to political objectives—abolition of the monarchy, and inauguration of a popular constitutional regime, in which it was content to function as a party of reform. The Bolsheviks, with Lenin as leader, were more sweeping in their demands, advocating the seizure of political power through a mass uprising, the establishment of a worker-peasant dictatorship as a guarantee against counter-revolution, and a program of thorough-going socialization of the land and factories.

Outbreak of the war with Japan in 1904 quickened the tempo of Russia's internal conflict, the revelations of graft and inefficiency strengthening the position of the radicals. The unprovoked massacre of fifteen hundred peaceful petitioners to the Czar in Petrograd was the signal for a series of uprisings throughout the country. Nicholas II, frightened by the outbreak, promised to convoke an Imperial Duma (representative assembly) and to grant liberal political and civil rights; but hardly was the manifesto issued than it was revoked and succeeded by a policy of more severe repression than before. It was during this crisis that there appeared for the first time a spontaneous organization of *soviets*, functional representative councils among urban workers, peasants, and soldiers.

In the midst of the mounting crisis came the outbreak of the First World War in 1914. Despite internal dissension,

most of the country rallied to support the war, fearful of German military domination and at the same time hopeful that the occasion would bring internal reform. Only the Bolshevik party, with most of its leaders, including Lenin, languishing in exile, contended that Russian defeat would alone present the opportunity for change. The war went badly with Russia. What might have been substantial victories in the field were turned into fearful reverses as a result of the sordid corruption and fatal bungling of governmental and military leaders. The suffering at home was intense; prices soared, and the economy was soon prostrate.

### THE REVOLUTIONS OF 1917

On February 27, 1917, a general strike was called in Petrograd. State machinery came to a standstill; regiments, ordered to fire on the strikers, fraternized with them instead. The soviets sprang into action, and a full-scale revolt was launched. On March 16 Czar Nicholas abdicated, bringing to an end the Romanov dynasty.

A provisional government, composed of moderate constitutionalists, with Prince Lvov as premier, succeeded. But, just as the moderates had not made the revolution, so they were unable to shape its course. Even the Kerensky government, formed in mid-July with a socialist majority for the first time, had little to offer but continuance of the war under a constitutional regime. Against this the opposition Bolsheviks raised the slogan that epitomized the most elemental desires in the breasts of a war-weary people: "Peace—Land—Bread"; and, as the path to its realization: "All power to the soviets." On November 7 (the "October Revolution" according to the old calendar) the Kerensky government was overthrown, to be succeeded by a Soviet government composed of Bolshevik leaders, with Lenin as

president. In January, 1918, the new government opened negotiations for a peace with Germany at Brest-Litovsk. On July 10 the first Soviet Constitution was adopted.

### WAR COMMUNISM AND THE NEP

Under provisions of the Soviet Constitution of 1918 the entire land of the nation was confiscated from its former owners<sup>2</sup> and declared to be national property, subject to its apportionment to the peasantry; all natural resources, banks, and financial assets were transferred to state ownership; government control was extended over transport, factories, and mines. Work was declared a universal obligation for all the able-bodied. Suffrage was granted to men and women of nineteen, except employers, non-laboring income recipients, merchants, and the clergy. The structure of government was composed of soviets elected directly on the local level and indirectly for the districts, republics, and national assembly.

But the years 1918 to 1921 were precarious ones for the new regime. The country was torn by civil war, a condition intensified by the economic blockade and military intervention by Allied forces. The "Red Armies" were successful in beating back the invaders, but meanwhile what was left of the old economy rapidly deteriorated, and the government found it impossible to inaugurate a state socialism within a framework predominantly agricultural and with little basic industry. The result was the institution of the New Economic Policy (NEP) in early 1921, providing for a partial return to private enterprise, a free market, and a pricing system—even an invitation for the return of for-

<sup>2</sup>To a large extent this merely legalized the widespread seizure of land holdings by marauding peasants, which had taken place spontaneously during the period of revolt.

eign capital. This drastic retreat, termed "state capitalism" by Lenin, was justified by him as a practical measure to permit development of the economy so that the proper conditions for later socialization could be established—the workers' state meanwhile still keeping full political control in its hands. It was "taking one step backward in order to take two forward." Under this impetus business quickly revived, and the basis for socialization was laid. The NEP lasted for seven years, but with the restoration of industrial health the sphere of private activity was gradually whittled down in favor of state or co-operative ownership and operation.

In 1924 Lenin died, to be replaced as head of the Bolshevik (now Communist) party by Josef Stalin—but only after an acrimonious struggle with the unyielding Trotsky. The year 1928 brought into being the First Five-Year Plan, forerunner of the final campaign for full socialization of industry and agriculture. There is no space here to record the steps taken, the triumphs and vicissitudes of this period. We turn now to a description of the present institutional structure of the Soviet Union. The modifications in that structure necessitated by the exigencies of war will be noted in their place.

### THE SOVIET STATE

The Soviet Union, having brought an end to its capitalist institutions is now, according to communists, in the transitional stage, socialism. This is evidenced by the fact that all but a negligible fraction of the land, properties, and resources of the nation are in public hands. The state continues under the control of a proletarian dictatorship, which is administered by the Communist party. No claim is made that the full goal of communism has yet been reached.<sup>3</sup>

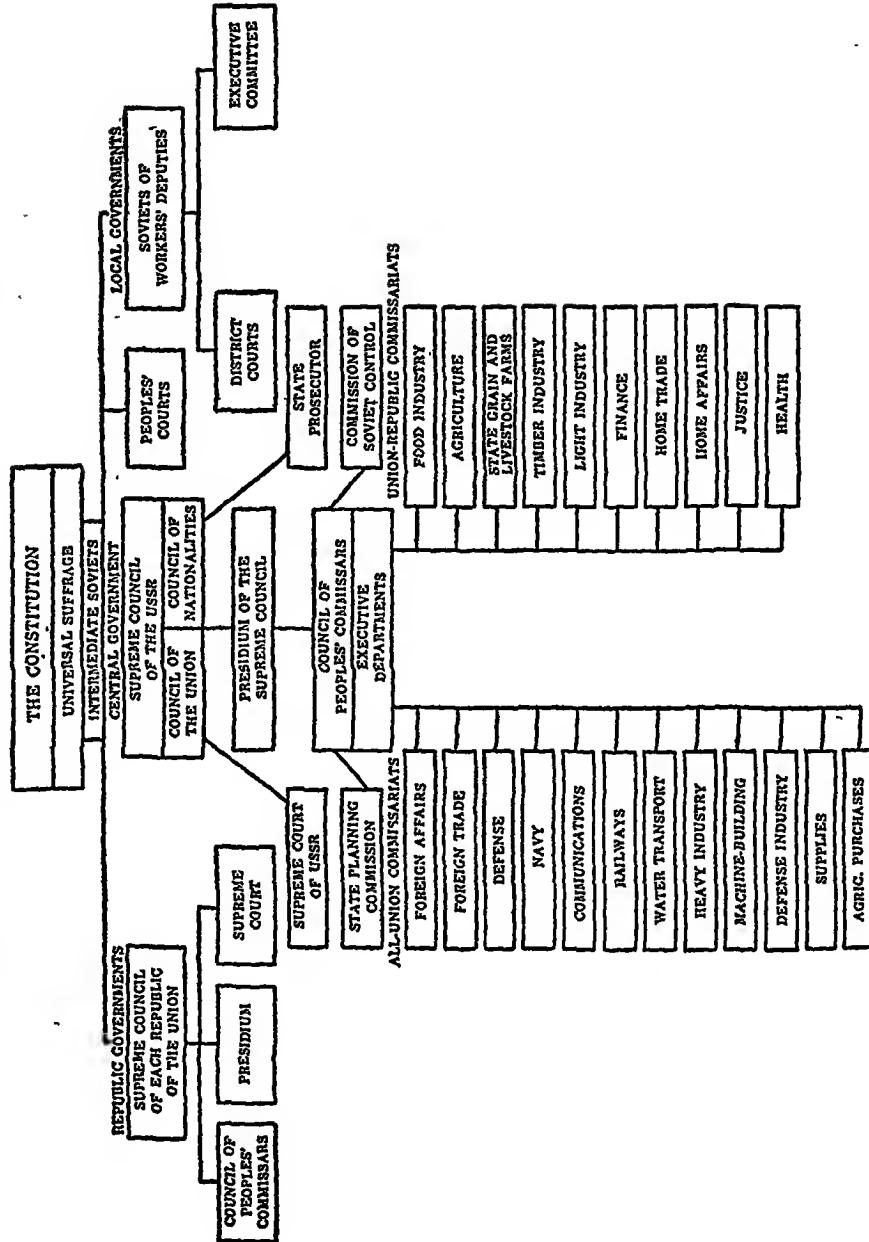
<sup>3</sup>Soviet leaders sometimes speak of the present stage as "state socialism." Neither Marx nor Lenin attempted to set a time limit for the transitional period; some have since hazarded a guess of one generation.

The Soviet state is a federal union of sixteen republics, with major political and economic functions exercised by the federal government. The individual republics possess self-governing agencies competent to legislate and administer their needs in fields not reserved to the state as a whole. The 1936 constitution of the USSR provides a political structure of soviets, or representative councils, rising like the levels of a pyramid from the 70,000 local soviets, through those of the regions, provinces, and republics, to the Supreme Council of the USSR—a two-house parliament that convenes briefly twice a year. Election for each of the soviets is by universal, direct, secret ballot of men and women who have reached the age of eighteen. Disabilities against the clergy, kulaks, private traders, and other "enemy classes"—in force under the 1918 and 1924 constitutions—were finally removed in 1936.

In its formal composition and functions the Supreme Council resembles our own Congress. The two houses, by virtue of their differing modes of selection, provide a balance of national and area interests. Either Council may initiate legislation, and both must approve a measure before it becomes effective. In case of continuing deadlock, the houses are dissolved and new elections ordered. The vital difference, of course, lies in the predominance of a single party in the Soviet government, which makes legislative action merely the reflection of Communist party policy.

When the Supreme Council is not in session, its broad powers of legislation and administration are exercised by a Presidium of thirty-seven members, elected by the Council itself. Appointed by and responsible to the Supreme Council (or the Presidium) are also the members of the Council of Peoples' Commissars, in charge of the executive departments (principally economic) of the government. Each of the constituent republics has a comparable organ-

# THE GOVERNMENT OF THE SOVIET UNION



The Communist party is not officially a part of the government, but dominates the political structure of the USSR through a separate organization, which parallels the agencies of government.

ization, with "commissariats" either paralleling those of the national government or designed to administer affairs of a local or special nature.

A Supreme Court, appointed for five-year terms by the Supreme Council, stands at the apex of the judicial system. It is competent to settle disputes between member republics, to hear cases against public officials, to advise on the legality of proposed legislation, and in general to serve as a court of final judgment. Most cases are tried in local Peoples' Courts, presided over by a panel of three elected judges, two of whom are lay members of the community. Regional courts of review, and a supreme court in each republic, fill the gap between the lowest and highest tribunals.

#### POSITION OF THE COMMUNIST PARTY

Yet all this formality of Soviet government is meaningless without an appreciation of the dominant role of the Communist party, "engineers of the revolution and architects of the new society." Officially the party is separate from the government; it has no legal mandate to rule. But, in practice, members of the party fill the large majority of responsible government posts throughout the Soviet Union. Policy on every important issue is first formulated in meetings of party members; the resultant decisions, or "directives," are then rendered into law or executive orders by party members acting in their governmental capacities.

The enormous power and prestige of the Communist party derive from the fact that it successfully carried through the revolution, that it is now the only legal party, that it constantly draws into its ranks the most promising younger leaders, that it is a compact, highly disciplined unit and operates with striking singleness of purpose. Units of the party are distributed in virtually every industrial,

political, and military center of the nation. No important decision may be taken, no venture embarked upon, no conflict arbitrated, without reference to the local party "cell" or its officials. In any question of proper Marxian interpretation, the Communist party is the final authority.

The party maintains its own organization, distinct from that of the Soviet government, but paralleling it at every level. Membership in the party, normally between two and three million, was recently announced as 4,600,000. The approximately 135,000 "cells" or units scattered throughout the country elect their leaders, who in turn choose those of each higher stratum, culminating in the All-Union Party Congress, which is convened for purposes of policy-making every two to four years. Among the interim committees appointed to act for the Congress, the most powerful is the Polit-Bureau of ten members, whose deliberations issue as the national policies of both party and government.

The Communist party is, as the Webbs have termed it, a "vocation of leadership." Entrance into its ranks comes only to those capable of withstanding the most rigorous examinations. The duties of membership are arduous and demanding, the discipline ironclad. Although the privileges are alluring, the responsibilities are equally heavy. Periodic "cleansings" or purgings of the membership continually weed out the disloyal and the weak. New recruits are drawn mainly from the ranks of youth organizations, the Comsomols (aged fifteen to thirty) and the Young Pioneers (ten to sixteen).

#### THE POSITION OF STALIN

Until he assumed official power as Premier of the Soviet Union and commander in chief of its forces after the German invasion of June, 1941, Stalin held only nominal status in the government as one of the elected delegates to the

Supreme Council. His immense powers in guiding the destinies of the Soviet state were derived from his position as general secretary of the Communist party, a post he has held since 1922. Since official state policy is actually formulated by party leaders, and among these Stalin had carved for himself the pre-eminent position, the sources of his influence become evident.

As one of the inheritors of Lenin's power, Stalin attained supremacy over his chief rival, Leon Trotsky, on the issue of "building socialism at home" rather than pressing for immediate world revolution.<sup>4</sup> The practical success of this policy, combined with ruthless purging of the opposition, appears to have made Stalin's position unassailable both in the party and the nation.

### GOVERNMENT AND INDUSTRY

The Soviet Union is a society in which all important political, economic, and social institutions are consciously co-ordinated to serve broad public objectives. The government must be understood as combining both political and economic control. Ownership of the land, resources, and means of production resides in the state as a whole; industrial processes are carried on under the direction of commissariats, or departments, according to a unified plan for the entire economy. Ultimate control of industry is thus highly centralized, but with some initiative left to the management, trade unions, and local party unit in each enterprise. Besides state-owned industry, which predominates, there exists a sizable number of producers' co-operatives,

<sup>4</sup>Until his death in exile in Mexico, Trotsky conducted a world-wide campaign of opposition to the present Soviet regime and its program, accusing its leaders of having "betrayed the revolution" and of having departed from the principles of Marxism. The organization of this opposition bears the name "Fourth International" to distinguish it from the Third (Communist) International.

and a scattering of self-employed craftsmen and peasants.

Agriculture, still the largest single industry in the Soviet Union, has been almost entirely collectivized. Two major forms of organization prevail: First there are the state farms, thousands of acres in size, owned and operated by the government, with workers receiving stipulated wages. By far the more important section, however, consists of co-operative farm associations, to whom permanent possession of the land is granted by the state. In addition to sharing in the collective income, each family retains a small plot of land, together with domestic animals, for private use.

Distribution outlets for consumers' goods consist of state-owned stores and co-operative units—the first stationed chiefly in the cities, the second in villages. Commodity prices for both are fixed within a narrow range for each community or geographical section.

### SOVIET FINANCE

Banks, credit, and currency are all to be found in the Soviet Union, but their functions differ from those of private enterprise. Banking facilities are nationalized. The currency system is "managed" or controlled by the state for all domestic purposes, without reference to foreign valuations. At the center of the banking system is the state bank, with its thousands of local branches and subsidiaries. These serve as perpetual clearinghouses for the exchange of debits and credits between enterprises, for the financing of new construction, municipal ventures, and foreign trade—as well as for banks of deposit.

The Soviet budget includes not only provision for the ordinary expenses of government—public administration, army and navy, education, social services, etc.—but a huge sum which is available for capital investment and expansion

of state enterprise. Annually this has represented roughly one-third of the total budget, making possible a rapid advance in the construction of basic industry.

By far the major part of the national revenue is raised by a turnover or sales tax, which is levied at the source of production. Smaller amounts are derived from "profits" of state enterprises and from other variable taxes.

### ECONOMIC PLANNING

Ownership of the means of production implies their use by the state according to a definite, co-ordinated plan. An All-Union Planning Commission accumulates data on every conceivable phase of the economy, balancing consumers' demands with the resources available for production and the need for new enterprises. A detailed "five-year plan" is periodically drawn up (the third of these, 1938-42, was interrupted by the war), with blueprints, quotas, and specifications furnished to each enterprise that is concerned with its fulfillment. In reality the planning is continuous, with inevitable revisions and adjustments taking place as need arises.

The first five-year plan (1928-32) was devoted to constructing a base for socialized industry in the fields of power development, capital goods, machinery, and the technical training of workers. The second and third plans continued this trend but shifted the emphasis to an increased production of consumers' goods and services, as well as the expansion of industry eastward into Siberia.

### UNIONS, WAGES, AND SECURITY

Soviet labor organization follows the industrial form, with all classes of workers in a plant included within a single union and all such units federated into district and

regional councils that parallel the political structure. About 90 per cent of industrial workers are thus enrolled.

Unions are jointly responsible with management (and with local Communist party units) for satisfactory production and shop discipline. In addition the unions negotiate collective working agreements, administer 'pension and insurance funds, and conduct a variety of educational and recreational activities. Strikes are not forbidden but seldom occur, owing to enforced arbitration.

General wage scales are formulated for each industry by the controlling commissariat, then converted into specific pay schedules by agreement between the union and the plant management. Rates of pay follow the socialist principle of reward on the basis of individual worth. General wage levels are directly linked to the productive output of the whole economy, and are determined by the funds remaining from total state income after capital investment and other expenses have been subtracted. Non-economic rewards in the form of public recognition and distinctions are stressed.

A comprehensive social-security program, with all costs borne by the employing enterprises, is administered by the trade unions for their members. Benefits include retirement pensions, child and maternal welfare, sickness and disability compensation, etc. Health care and hospitalization are free services. Similar benefits have been provided for workers on state and co-operative farms, and in the various services. The problem of unemployment has not yet appeared in the Soviet economy.

#### EDUCATION AND PROPAGANDA

In Marxian theory, the stage of socialism is a training period during which collectivist principles and institutions

gradually supplant those of capitalist society. The school system is but one medium through which this transvaluation is to be effected; the press, theater, workshop, collective farm, and political forum are all directed toward the same end. Industrial enterprises often act as "sponsors" of community schools; special emphasis is placed on "learning by doing." The dominant theme is that of collective responsibility, as opposed to the sole urge for personal advancement.

Education in a broad sense thus consists of inculcating socialist values in young and old and, in this respect, is indistinguishable from propaganda. The Soviet press and radio serve a similar purpose in mobilizing public opinion toward achieving official socialist objectives. The practice of "socialist self-criticism," widely indulged in by the press and other agencies, is an attempt to compensate for the outlawry of opposition points of view. Freedom of discussion on any issue of public policy is permitted only until an official decision is announced; then it must cease. At no time is the basic character of socialist society allowed to be challenged. Nevertheless the former restrictions on academic freedom have been eased, and the utmost facilities and rewards are extended to scientists and "brain workers" in all fields.

#### SOME GENERAL PRINCIPLES AND ATTITUDES

Even the briefest description of Soviet institutions requires more space than is available here, but the following additional features deserve mention:

State ownership of property extends only to that which is used to produce and distribute goods; property for direct use by consumers, such as food, clothing, a house, books, and furniture, is privately owned by individuals or by co-operative groups.

A fundamental tenet of Marxian socialism is that of the

complete equality of all persons, regardless of race, nationality, creed, or sex, in so far as their social, political, legal, and economic status is concerned. The principle of equality is written into the constitution, and its violation is severely punished. A striking result of this guarantee of equal rights has been the extensive participation of women in the industrial and political life of the nation.

Legislation has greatly facilitated the process of both marriage and divorce, but the state strongly encourages retention of the family as a social unit. Parents are held equally accountable for support of their children. A single standard obtains in sex relations; public discussion of such matters is uninhibited; birth control information is freely disseminated; abortions have been legalized, but the practice is frowned upon and is permitted only when necessary to protect the patient's health.

The Soviet view of crime and punishment stresses the importance of the influence of the social environment on human behavior. Individuals found guilty of ordinary crimes are committed, for relatively short periods, to industrial reformatories or work camps, where they are put to productive labor or the construction of public works. But crimes against the *state*, such as counter-revolutionary acts, the exploitation of others, or theft of collective property, are subject to extreme penalties.

The church as an institution has been deprived of most of its educational and social functions. Religious worship and affiliation are permitted, but the state until recently gave active support to private anti-religious organizations. In part this attitude was to be attributed to the unhappy experience of the Russian people with the Greek Orthodox Church during the period of Czarist autocracy. Religion as then practiced meant superstition, intolerance, and alliance with the forces of oppression. But Marxian doctrine regards

supernatural religion itself as an "opiate," tending to divert man's attention from his earthly responsibilities by the promise of spiritual rewards. Communism claims instead the ability to realize human brotherhood through a form of social organization based upon equality and co-operation, rather than upon acquisitiveness and class division.<sup>4</sup>

The communist accepts Christian ethics, but rejects a Supreme Being as intermediary; science and psychology provide for him the full explanation of earthly phenomena.

It should be added that religious belief maintains its vitality among a large section of the Russian people, particularly the older generation, and that thousands of churches, mosques, and synagogues remain open for services. Events of recent years indicate a growing tolerance of organized religion by the state: political and civil rights have been restored to priests and ministers, anti-religious campaigns have been abandoned, and theological schools have once more been opened for the training of religious leaders.

Again, communists declare that genuine democracy is unattainable within capitalistic institutions, that political equality is only an illusion so long as economic inequality prevails, and that only with the triumph of public ownership and the dissolving of class divisions can freedom for all men be assured. Thus communism claims to be, not the denial, but the fulfillment of democracy in its completest sense.

#### FOREIGN POLICY AND THE COMINTERN

For a number of years following the Bolshevik Revolution, Soviet policy was dominated by fear and distrust of the capitalistic world, coupled with the ambition to extend socialism as rapidly as possible to other countries. With the

<sup>4</sup>See, for example, Hewlett Johnson (Dean of Canterbury), *The Soviet Power*.

advent of Stalin to power, the emphasis shifted increasingly to internal reconstruction, on the theory that a successful example of socialism at home would be the most potent argument for its adoption elsewhere. Diplomatic and commercial relations were gradually resumed with most countries during the twenties—not with the United States until 1933. The rise of fascism in Italy and Germany, together with increasing tension in the Far East, drove the Russians into closer collaboration with the other powers. In 1934 the Soviets were admitted into the League of Nations.

Nevertheless, even with Trotsky expelled and world revolution given a secondary place, the campaign to arouse working-class movements abroad continued with little abatement, the tactics alone having been modified. The Third International (Comintern) had been formed in Moscow in 1919, and under its direction communist parties were organized throughout most of the world. Activities toward the attainment of socialism were to be guided by the conditions prevailing in each country but were to include, wherever possible, agitation through labor unions, political parties, reform groups, and propaganda agencies. Pending the arrival of a revolutionary situation, communist parties were to strengthen the position of the working class and to mold it into a conscious instrument of social change. While never a branch of the Soviet government, the Comintern had its residence in Moscow, and its policies were dominated by the Communist party of the Soviet Union.

In May, 1943, the Comintern was formally dissolved, and the effect of this has been to dissociate the Soviet Union from the activities of communist parties in other countries.

## CHAPTER 10

### Anarchism

Every man should be his own government, his own law, his own church, a system within himself.

—JOSIAH WARREN

THE idea of a society conducting its affairs in perfect order without the apparatus of government can be traced to writings at least prior to the Christian Era. The Stoic philosopher Zeno (342–267 B.C.), in strikingly modern terms, condemned the intervention of the state in private life, challenged its pretensions to authority, and proclaimed the right of the individual to regulate his own conduct. The sentiment has echoed and re-echoed through the centuries, especially in those periods when social or scientific progress was being repulsed by institutional opposition. Inevitably, such interference was countered with the claim that, in the sight of God and of nature, the highest law was that of individual expression, and that compulsion, for whatever purpose, served only to corrupt the otherwise normal relations of men.

WILLIAM GODWIN

In his *Enquiry Concerning Political Justice* (1793) William Godwin first formulated in a systematic way the philosophy of anarchism (though he himself did not designate it by that name). Man was represented as a creature with the capacity to convert his sensory experiences into intelligent and moral action. Given freedom to exercise his

own choices, man is by nature sociable, co-operative, rational, and good. His normal impulse under such conditions is to join with others in functional groups for their mutual advantage. So long as these associations remain voluntary in character, uncorrupted by force or coercion, the essential goodness of the individual will prevail. Free of compulsion, each will deal equitably with the others, and in the consequent social harmony the highest development of each will be secured.

But the injection of government into this scheme, according to Godwin, entirely changes the character of human relationships. Power over others is in its very nature a pernicious influence. Those who rule are bound, even against their best intentions, to become arrogant, self-seeking, jealous of their privileges, and unmindful of those whom they represent. In modern times the state has arrogated to itself greater authority over its citizens than was ever before known in history; conceived in violence and fraud, it fosters inequality, perpetuates antagonisms, and everywhere imposes its dictates by threat of punishment. Godwin frankly called for the extinction of the whole state system—courts, legislation, police, and all officialdom—whether parliamentary or monarchical in structure. He did not, however, sanction revolutionary measures to bring about the change, or designate a particular class to act as intermediary. Discussion and persuasion, he felt, would be enough to convince mankind of the rightness of his proposal.

The ideal society proclaimed by Godwin was to consist of small, self-governing communities from which not only government, but private property as well, would be excluded. Aside from insisting upon absolute equality of income, Godwin had few positive suggestions to make regarding the structure of his economy. But this important feature was to be considered at greater length by his successors.

## PIERRE JOSEPH PROUDHON

The period between Godwin (1756-1834) and Proudhon (1809-65) was one of intensifying conflict between the class groupings generated by industrial capitalism. In France, the new doctrine of socialism began slowly to channel the resentments of dispossessed small proprietors and exploited workmen. But nineteenth-century France offered little hope of parliamentary reform, and socialists themselves became hopelessly entangled in factional disputes. Anarchism, heretofore little more than the outcry of "emancipated" intellectuals, now began to take on the shape of a mass movement. Pierre Joseph Proudhon, a man of brilliant mind and unchallenged integrity, became its leader.

In Proudhon's writings the chief enemy is still the state: "Governments," he maintained, "are the scourge of God." Nothing less than annihilation of the whole mechanism of authority is needed to reclaim society. But, showing clearly the reflex of the existing economic struggle, Proudhon turned his attention more and more to the vital relations of state and business enterprise. In his notable work *What is Property?* (1840) he answers his question with the categorical pronouncement: "Property is theft," so long as it is utilized to extract wealth and privilege through exclusive ownership. In order to free the French workers and peasants from their industrial and financial slavery, Proudhon urged the establishment of co-operative credit banks where money could be had without interest, and where goods could be exchanged at cost value by means of a "labor currency" representing the hours of work needed to produce each commodity.<sup>1</sup>

<sup>1</sup>An American disciple of Proudhon, Josiah Warren, for a time successfully conducted a group of "Equity Stores," using labor-exchange currency as their sole medium.

Like Godwin, Proudhon was unalterably opposed to forcible methods of change, and he attacked Marxism both for its tactics and its refusal to repudiate the state. While sympathetic to the working class, he held trade unions to be no better than other organized groups, and he proposed to abolish them all. In the ideal society of Proudhon, the individual would be part peasant, part worker; where necessary, he would co-operate with others for mutual benefit, but would acknowledge neither political nor economic master.

### THE RISE OF COMMUNIST ANARCHISM

The evident weakness of early anarchism, from a practical standpoint, was that it failed to implement its aims with a sufficient regard for the opposing forces then at work. Attractive as the eventual prospect might be, such a program could hardly be achieved without organized effort; yet authority and discipline were precisely anathema to the anarchist.

The failure of the social revolutions of 1848, the growing industrialization of Europe, the rise of trade unions and a self-conscious proletariat—these were the main factors that compelled anarchist thought to take a new direction. Chiefly under the influence of Michael Bakunin and later of Peter Kropotkin, the doctrine of communist anarchism was evolved. As the name suggests, the new movement combined the philosophy of anarchism with the revolutionary program of communism. The most important feature of its doctrine was a recognition of the class struggle<sup>2</sup> between the property owners and the workers in society. No final victory in this conflict is held to be possible until the owners and their political agents are dispossessed.

But the transition, according to this view, is not to be

<sup>2</sup>See description under this heading in the chapter on Marxism.

managed by piecemeal reforms; nor is it likely that the state, which seeks always to perpetuate itself, will consent to its own destruction. No choice remains, then, but to employ revolutionary methods. Political action is discarded as useless—more than that, dangerous, because parliamentary concessions weaken the will to revolt. Instead the workers, organized in powerful trade unions under the guidance of disciplined leaders, are to be drilled in the tactics of "direct action," prepared to use whatever means are found effective in weakening and eventually bringing to its knees the existing state. The strike, boycott, and sabotage are to be the principal weapons against economic exploiters; but the workers must not be allowed to forget that the real enemy is at all times the state. Ultimate victory can come only by means of an armed insurrection, in which the state power is destroyed and the propertied class expropriated. (It should be mentioned, however, that the familiar portrait of the anarchist as a hate-possessed, bomb-throwing criminal type is grossly exaggerated. The practice of "individual terrorism," which resulted in the assassination of several prominent statesmen—among them President McKinley—prevailed for only a brief period under the influence of extremist leaders. Such acts were declared to be justified as a protest against the "office" of the victim, rather than against the individual himself. In that office, anarchists professed to see the symbol of political and economic injustice. But the movement as a whole has never subscribed to this rationale of terrorism, and it forms no part of the anarchist creed.)

#### ANARCHIST SOCIETY

Given some latitude, there is general agreement among anarchists as to the pattern their new society would take. Characteristically it would consist of small, self-governing

communities, with individuals voluntarily associated for all the necessary requirements of living—production and distribution of goods, education, recreation, cultural expression, military defense, and so on. Some of these groups would be local only; others would be federated into regional, national, or international associations—but in each case without relinquishing local autonomy. Communities would resemble, notably in Kropotkin's view, the workmen's guilds and free cities of the Middle Ages, but accommodated to modern industrial life; the federations, for their part, would simply broaden the fields in which many voluntary associations now operate nationally and internationally. There would be no place for the church as an organized institution, since anarchists hold that social morality is inherent in the individual and requires no authoritarian form.

In each community the land, machinery, natural resources, and equipment used for the production of goods would be held in common, or jointly, if desired, in agreement with other communities. The wage system—that is, the employment of workers by enterprisers at specified wages—would give way to a scheme of co-operative production, with equal income for all. Private ownership of property for direct use, such as a house, tools, an automobile, or anything not utilized in the productive process, would be freely permitted. Whatever conflicts of a social nature arose in the community would be settled by local boards of arbitration.

#### ANARCHY VERSUS GOVERNMENT

The absence of government does not, according to the anarchist, mean the absence of order. On the contrary, it is claimed that the state of lawlessness everywhere existing in

society is the direct consequence of the "legal force" imposed upon the population by the state. So long as one group holds the power to dominate others, the rest of mankind is enslaved. It is government that fosters conflict and generates inequality; by giving protection to property, it becomes the agent of exploitation, and in all cases it nullifies the very essence of individualism. Once abolish this parasitic growth, and the principle of mutual aid will again prevail in the lives of men.

### COMMUNIST ANARCHISM DISTINGUISHED FROM COMMUNISM

At least three important distinctions may be seen between communism and communist anarchism—distinctions which lay at the bottom of the historic split between the followers of Marx and of Bakunin. The first disagreement is found in the fact that communism insists upon the need of political, as well as economic, action against the existing state. Anarchists, for their part, reject any relationship with established authority, refuse to become a part of any political party, and regard democratic reform as a setback to their cause. In the second place, the communist sees capitalism as the chief menace—the state he considers merely as the legal mouthpiece of the propertied class; thus, with the fall of capitalism, the state structure must necessarily topple. But the anarchist finds in the state the primary source of evil, and sees in its extinction the automatic erasure of private property. Finally, although both doctrines are agreed that the ideal aim is a stateless, classless society, communists contend that for an indefinite period after capitalism is destroyed it will be necessary to maintain a new state, controlled in this case by and for the emancipated workers, to direct the problems of reconstruction and to suppress

counter-revolution. But anarchists insist upon the avoidance of any state whatsoever, proletarian or bourgeois, and call for the immediate decentralization of society into small, independent units. Only within such a pattern, they believe, can the individual ever attain the freedom and equality to which he is by nature entitled.

Though on the surface mere doctrinal niceties, these differences were serious enough to cause a permanent rupture between anarchists and the other schools of Marxism. Only with syndicalism<sup>8</sup> did anarchist thought establish any real affinity. An offshoot of the two, anarcho-syndicalism, became for a time the dominant expression of revolutionary trade-unionism in Europe, ultimately spanning the Atlantic to make its influence felt in the Americas.

### SPREAD AND DECLINE

Precisely because anarchism remained largely an unorganized movement with a nebulous program, its basic teachings have produced a variety of interpretations. In addition to those set forth above may be mentioned the Christian anarchism of Tolstoi, who preached a moral and spiritual transformation of the individual as the medium of social change. Since he believed that coercive government and private property result in social disruption, Tolstoi recommended voluntary renunciation of both, in the hope that the transition might thus be made peaceably.

In the United States a form of philosophical anarchism, represented by Henry David Thoreau, arose as an indigenous product of American individualism. Retreat to nature, non-payment of taxes, and a policy of passive resistance were some of its typical features. Among the followers of Proudhon in this country, Benjamin Tucker and Josiah

<sup>8</sup>As noted in the following chapter.

Warren stand out most prominently. Revolutionary anarchism in the United States arose largely through the efforts of Johan Most, an Austrian, and attracted some following among the unrepresented and embittered immigrants who came to America during the latter part of the nineteenth century. As a result of the Haymarket Riots of 1886, for which a number of anarchists were held responsible, severely repressive laws were enacted to put an end to the movement.

In Germany, Max Stirner, a disciple of Hegel and forerunner of Nietzsche, became noted as the apostle of an extreme "egoistic" anarchism. In Italy, Malatesta led a revolutionary anarchist movement of some consequence, which was successful in penetrating the trade unions. Besides Kropotkin, whose works furnish the most complete index of modern anarchist thought, the most prominent leaders of recent years have been Alexander Berkman and Emma Goldman; all three of them spent much of their active lives in the United States.

At present anarchism is a wholly negligible movement. Under the conditions of acute national and international conflict prevailing during the nineteenth century its highly individualistic doctrine made appreciable headway, but its appeal remained at all times distinctly limited. By the close of the First World War little of its influence remained, except in the south of Europe and the countries of Latin America. The last citadel of anarcho-syndicalism, that of Spain, went down in 1939 before the onslaught of fascism—united with the socialist and communist parties at least in defeat.

## CHAPTER 11

### Syndicalism

Labor is the great producer of wealth; it moves all other causes.

—DANIEL WEBSTER

IN THE FINAL YEARS of the nineteenth century there sprang from the fertile revolutionary soil of France the most self-consciously “proletarian” of all social movements, syndicalism.<sup>1</sup> Like its predecessors it was a product of the time and circumstances that gave it birth. French political development after the revolution of 1789 had been distinguished by frequent and abrupt changes of policy; but, whether under bourgeois republic or imperial monarchy, trade unionism was made subject to severe disabilities. Except for brief periods, French workers were denied the right to organize into unions or to strike for their demands, and to the repressive action of the state was added the unyielding hostility of employers. Since under such circumstances conventional trade-union practices were proscribed, secret societies and terrorism took their place. As noted in the preceding chapter, the anarchism of Bakunin made strong headway among a working class which had little to hope for from any type of government regime.

Socialism, too, gained membership rapidly during this period in France, but its adherents were hopelessly split

<sup>1</sup>Derived from *syndicat*, the French name for trade union. The word *syndicalisme* is sometimes still used to denote ordinary trade unionism in that country.

between the reformist and revolutionary factions. Each group coveted control of the trade unions, and at times organized competitive local units in the struggle for supremacy. In 1886 a temporary union between socialist and labor groups was achieved with the formation of the National Federation of Syndicates. Six years later, however, the socialist leadership was ousted and a new alliance consummated with the powerful and militant Federation of Labor Exchanges. The new organization was pledged exclusively to economic action; its temper was aggressively revolutionary, and the weapon in which it placed its faith was the general strike. Under the capable leadership of Fernand Pelloutier, a former socialist who served as general secretary of the Federation from 1894 until his death in 1901, syndicalism came fully of age as a program centering about the unique function of trade unions in abolishing the wage system and inaugurating a democratic producers' commonwealth.

The heritage of the Federation passed in 1902 to the newly formed General Confederation of Labor (the CGT), thereby establishing syndicalism as the majority program of French labor. During this period sentiment against political collaboration was strengthened by the defection of such outstanding socialist leaders as Millerand, Briand, and Viviani, who abandoned the labor struggle in accepting government posts.

Syndicalist doctrine thus reflects closely the conditions peculiar to French trade-unionism and encountered to some extent as well in Italy, Spain, and the United States. Although largely pragmatic in its attitude, the doctrine is principally a fusion of anarchism and revolutionary socialism. From the former, syndicalists accepted the emphasis on individualism, industrial self-help, and hostility to the state; from the latter, the idea of the economic basis of

society, the theory of surplus value, and the thesis of the class struggle. To these syndicalism added its own refinements: the concept of the creative character of labor, the predominant role of industrial-type unions, functional representation, and the tactic of the general strike.

### MAN AS PRODUCER

Syndicalism regards society as, in a fundamental sense, an association of wealth producers. Each person is a necessary part of the economic scheme, and it is from his primary function as a producer that his social attitudes are derived. But, to the true syndicalist, productiveness means infinitely more than just the expenditure of mind and muscle for material reward. He preaches a "gospel of work," a pride in creation for its own sake. Labor is held to be an inherently moral act, the noblest expression of personality. Its reward comes first from a sense of accomplishment, and only secondarily from the expectation of monetary reward.

But the consequence of the capitalist wage system, according to syndicalists, is that the natural impulses of men to labor creatively are actually suppressed. Production has become a purely commercial and mechanical transaction. The necessity to work in order that others may profit destroys personal incentive. Pride in accomplishment is sacrificed to the passion for gain. Labor sinks to the status of a necessary evil, and its opposite—the prospect of leisure—becomes the controlling aim of wealth production.

Moreover the great mass of workers, who are the real producers, are granted no voice in the management of industry. Their skills are purchased at a price, like any commodity. Their value is measured not as human beings, but as mere costs of production. These are the consequences that arise from the processes of capitalism, in which the

ownership of the machinery of production enables the ruling class to cheat the workers of their creativeness and of their rightful rewards.

Syndicalism is thus completely Marxian in posing the historic struggle between the owning and working classes. In fact, no other doctrine pursues this issue of the class struggle so relentlessly. Its existence is held to be the fundamental reality, and the destruction of capitalism is believed possible only when the workers, recognizing the inherent conflict between labor and capital, unite to expropriate their oppressors.

### METHODS OF ACTION

Syndicalism, in line with its labor origin and emphasis, depends entirely upon direct economic pressures in its program of transition. Like anarchism it is contemptuous of political tactics, although less on theoretical than on pragmatic grounds. Abundant experience with political opportunism and corruption predisposes the syndicalist no more favorably to parliamentary, than to autocratic, government. The state is for him at all times the agent of coercion and the creature of ruling-class oppression.

Workers must therefore rely upon themselves alone to attain their objectives. Through their unions they possess a natural solidarity, transcending such other diverse and conflicting loyalties as those of nation, race, color, creed, or social position. Accordingly workers are to be organized, not into a political party nor into exclusive craft units, but in an industrial union structure which will embrace all producers—technicians, managers, skilled and unskilled—in each industry. Through these agencies militant warfare is to be waged against the two common enemies, employers and the state. The weapons of the workers will be their industrial power, thus effectively organized: the boycott,

union label, sabotage,<sup>2</sup> and, most important of all, the strike. Each of these is to be employed only incidentally to gain increased wages and better working conditions; primarily they are designed to enhance working-class consciousness, to test the strength of unions, and to weaken the position of employers and state authority. Each preliminary strike is to be looked upon merely as a rehearsal for the supreme effort of the workers, the general strike. The time for this will come when the industrial unions have grown powerful enough to force a complete stoppage of vital economic functions.<sup>3</sup> Fundamentally the strike will be against the state as well as against private property; with the paralysis of industry will come the surrender of political authority. The way will then be cleared for the inauguration of the new social system.

### THE SYNDICALIST COMMONWEALTH

Syndicalist society, like that of anarchism, is intended to provide a maximum of opportunity for the free development of the individual and the exercise of his creative abilities. As under anarchism, the social structure would consist of a loose federation of self-governing communities.

But under syndicalism the emphasis in this respect is again placed primarily on the function of the industrial

<sup>2</sup>This practice may take several forms, all intended to injure or harass the employer: slowdown on the job, inferior workmanship, literal execution of instructions in violation of common sense, deliberate damage to plant or machinery, etc.

In the view of Georges Sorel, a leading theorist of the movement, it was less important that the general strike ever occur, than that its millennial promise be accepted as an article of faith by the workers. Sorel argued that, like other "social myths" known to history, the "myth" of the general strike would serve to unify and intensify the workers' struggle for deliverance, and would inculcate an assurance of ultimate victory that could not be shaken by initial reverses.

In actual experience, neither this view nor the more practical results expected of the general strike have materialized.

unions, which would become the focal points of economic, social, and cultural life. The organized workers in each division of industry, including agriculture, would own their land, factories, and production machinery in common. There would be no segregation of employers from employees, no wage system or profit-making, no allotments for "unearned income." The rewards of production would be shared co-operatively among the producers.

Every instrument of coercive government—just as bitterly opposed by syndicalists as by anarchists—would be abolished. The necessary duties of administration would be assumed by labor councils. In all such agencies representation would be on a functional basis—that is, on the basis of occupational membership rather than of mere geographical residence. Communities would be autonomous and self-governing; they might become federated for any necessary purposes, but centralized authority would be strictly avoided.

#### EXPANSION AND DECLINE

Viewed in the light of nineteenth-century developments, the emergence of syndicalism could well have been predicted. Some reconciliation was needed between the reckless individualism of the anarchist and the state-administered collectivism of the socialist. As trade-unionism grew in strength, its leaders sought to articulate the aims of the movement independently rather than as an adjunct of existing factions. This was especially true of the Latin countries of Europe—France, Italy, and Spain—where labor was too often the victim of political careerists.

From its beginnings in France, syndicalism spread rapidly to Spain, Italy, and the United States, and to a lesser extent among the other Continental countries and Great Britain. But the movement everywhere was dealt a destructive blow

by the onset of the First World War in 1914. Loyalty to nation proved in most cases superior to that of class; where it did not, military force quickly suppressed any revolt.

Following the war, the French CGT gradually modified its syndicalist position, adopting a policy of gradual reform and allying itself with the parties of the left. In Spain the anarcho-syndicalist union survived the war and a period of severe repression, to participate in the overthrow of the Bourbon monarchy in 1931; but, together with the other parties of the Loyalist coalition, it was crushed in the Franco rebellion of 1936-39. Italian syndicalism likewise fell victim to the violent assault of fascism in the early twenties; but it is notable that the fascist corporative system subsequently showed the syndicalist influence, particularly in the principle of functional representation.<sup>4</sup> A modification of syndicalist doctrine, guild socialism (see Chapter 12), gained some prominence in Great Britain during the first two decades of the twentieth century, but became a casualty of the post-war years.

### THE IWW

In the United States, syndicalism took shape with the formation of the Industrial Workers of the World (IWW) in 1905. Under the leadership of such militant-minded socialists as William Haywood, Daniel De Leon, and Eugene V. Debs, it undertook to organize the growing numbers of unskilled and largely unenfranchised workers who were denied access to the exclusive, craft-conscious unions of the American Federation of Labor. With the Western Federation of Miners as its principal unit, the

<sup>4</sup>This does not imply an actual relationship between fascism and syndicalism. The fascist corporative structure is a creature of the political state; in it the syndicalist principles of self-government, common ownership, and social equality are conspicuously lacking.

IWW drew heavily upon such other groups as the lumber workers, agricultural migrants, and longshoremen.

Although its total membership never exceeded 100,000 at the highest point, the IWW represented a militant labor leadership capable of enlisting large numbers of sympathetic workers on critical issues. In spite of its socialist auspices, it soon adopted a completely syndicalist position in its structure and outlook. IWW unions were organized along industrial lines, disregarding craft or other distinctions; in all, twenty-nine such unions were to be projected eventually to cover all the principal industries. As to methods of action, American syndicalists were somewhat more restrained than their French counterpart. Sabotage, although practiced by some, was officially frowned upon. Much importance was attached to the general strike, but it was planned as a non-violent measure, a "folded arms" technique of revolt. Ordinary strikes—usually for short periods and limited objectives—were frequently resorted to, since it was mainly in those industries where the IWW sprang up that wages and working conditions were most unsatisfactory. Often enough in such cases violence developed, instigated as much by recalcitrant employers as by aggressive workers.

In 1907 the Western Federation of Miners withdrew its membership; subsequently, as the policy of the IWW became more purely industrial, both the Socialist and the Socialist Labor party sections were expelled. The non-political, proletarian character of the organization was further pronounced by its policy of idealizing the common manual worker and excluding "theorists" and "intellectuals" from its ranks.

Entry of the United States into the war in 1917 forced a crisis in the IWW, which, in common with the world-wide socialist parties, it was unable to surmount. Its program of industrial action, particularly through strikes, became ex-

tremely vulnerable, and the government met such uprisings, whatever their purpose, with military force. The IWW membership, moreover, was divided on the issue of supporting the war, as it was on the question of approval of the Russian Revolution. Confronted with internal dissension, impotent in the face of post-war unemployment, and submerged by an avalanche of Federal and State "criminal syndicalism" acts, the organization was reduced to a negligible force by 1920. The IWW still exists, but its present influence is wholly unimportant. The bulk of its membership found refuge in the more solidly-rooted socialist and communist parties.

It is perhaps hardly necessary to point out in concluding that industrial unionism alone does not spell syndicalism. The organization of labor on a vertical basis—the inclusion of all classes of workers in an enterprise in a single union—was the normal response to the vertical structure of modern industry in which all stages of processing from raw material to finished goods are frequently under the control of a single ownership. The American Federation of Labor and some independent unions, as well as the Congress of Industrial Organizations, have merely adapted their organizational structures to the economic setup of modern industry.

## CHAPTER 12

### Guild Socialism

To a logical mind it must seem that man, as both consumer and producer, must be eternally at war with himself, wanting to get more goods for less effort at the same time that other people, organized as the community, want him to get less for more.

—JOHN CHAMBERLAIN

By the late nineteenth century the conviction was general among British trade-union and socialist groups that the path of reform was to be paved with parliamentary action. The persuasive tracts of the Fabian Society did much to popularize this attitude, and the early successes of the Labour party seemed to confirm its wisdom. Within half a dozen years of its formation (1906) the party could claim twenty-nine members in the House of Commons and the passage of important labor legislation.

But this promising upsurge was to be short-lived. Further reform was quickly balked by the Conservative majority and the veto of the House of Lords. When a period of severe economic crisis followed, the Government proved unwilling, and the Labourites unable, to formulate a relief program. As unemployment and destitution spread, organized workers again resorted to industrial action to secure their demands. Not only the wage system but the democratic state had failed them.

The inadequacy of political methods was but one of the

forces leading to the emergence of guild socialism. Distrust of the state itself, as a Moloch eager to devour its own offspring, was being voiced by writers both in England and on the Continent. In France a section of the socialist movement, distrusting all forms of state power, had shifted its allegiance to syndicalism. Syndicalists were pledged not only to win their goal by direct economic action, but to entrust their future to a functional industrial structure. In common with such writers as Ruskin and Morris they had revived the concept of individual craftsmanship—a distinctive feature of the medieval guilds, which the impersonal processes of machine production had done much to destroy.

It was under these circumstances that guild socialism came into being during the first decade of the twentieth century. The movement was begun by an architect, A. J. Penty, and soon enlisted the energies of three other outstanding figures, A. R. Orage, S. G. Hobson, and G. D. H. Cole. The establishment of the National Guilds League in 1915 was accompanied by a definite statement of purpose: "the abolition of the wage-system, and the establishment of self-government in industry through a system of national guilds working in conjunction with other democratic functional organizations in the community."

### THE MEANING OF GUILDS

The League's purpose was a conscious attempt to restore for modern society the high standard of industrial life which had characterized the medieval guild system. In accordance with the ideal of co-operation, the craft guilds had maintained just levels of prices and wages, enforced a high quality of workmanship, and conducted training programs for apprentices and journeymen. The guilds, more-

over, played an important part in community life as the recognized centers of social, fraternal, and even religious activities. It was the intention of guild socialists to transform the present-day trade unions into an industrial form, including all workers in an enterprise from manager to errand boy, and to entrust it with the leading role in economic and social life.

### ATTITUDE TOWARD CAPITALISM AND THE STATE

In such manner the advocates of guild socialism have undertaken to harmonize the demands of personal liberty with the requirements of economic collectivism. They concur with the socialist indictment of capitalism as a system that breeds social injustice, and they agree that the instruments of production must be transferred to common ownership. The aims of a democratic commonwealth, they contend, cannot be realized until the workers are released from their bondage to the wage system.

But in agreement with syndicalist doctrine, to which guild socialism is indebted for its main elements, the political state is distrusted just as deeply as is the institution of private property. Political authority is held to be everywhere uncongenial to human freedom. Nothing, it is believed, would be gained by substituting a socialist bureaucracy for that of capitalist control. Authority must somehow be decentralized to the point where the acceptance of group decisions will be as nearly unanimous as possible. The smaller the social grouping, the more readily this can be done. Society, according to the guild socialists, is a pluralistic affair: it consists not of a single, uniform association but of a large number of diverse groupings of persons reflecting their various interests—as producers, as consumers, as citizens, and the like. Each of these groupings

should be free to make its own rules and conduct its own affairs as far as possible. Political authority ought to be limited strictly to such matters of general concern as the handling of foreign affairs and the requirements of national defense.

### GUILD SOCIALIST SOCIETY

The guild socialist program may thus be seen as embracing two major objectives. The first is that ownership of the principal means of production is to be transferred to the trusteeship of the community as a whole. At the same time, the national structure is to be decentralized and put on a basis of functional self-government, wherein the political authority will be severely curtailed.

The economy of the proposed society in the essential fields of production, distribution, and finance would center about the operations of a number of "guilds," or self-governing associations of workers. The personnel of each factory or other unit would be free to organize locally, select managers from among those technically qualified, and conduct its own industrial affairs. Local guilds would be represented by delegates in a regional guild for that industry; each region, in turn, would be affiliated in a national guild congress, which would supervise the planning and co-ordination of the national economy. Besides functioning in the field of manufacturing and processing, guilds would be formed for agricultural, distributive, and professional workers. The guild structure, in any event, would be flexible enough to permit organization of special craft or other group interests.

Delegates for guild purposes would be elected on an occupational (or "functional") basis, rather than that of geographical representation. Guild socialists claim the superiority of this practice over that now generally prevail-

ing, contending that no single representative can adequately speak for the wide diversity of interests—economic, social, political—to be found among his constituents.

There is some disagreement regarding the disposition of political power in a guild society. G. D. H. Cole, for a time the leading theorist of the movement, proposed the total abolition of state sovereignty and the substitution of a system of "communes" which would exercise whatever minimum sovereign powers were required. But others have pointed out the necessity of retaining the state as the supreme organ, while divesting it of its coercive powers. In the latter view the guild structure would represent persons in their capacity as producers, and would constitute but one of two co-equal governing bodies for the nation. The second, elected by geographical constituencies, would perform the same service for the whole population as citizens and consumers. The result would be a two-chambered congress or parliament, each chamber empowered to act in its defined sphere. Conflicts of jurisdiction would be submitted for settlement to a joint committee.

### THE TRANSITION

Guild socialists are more optimistic than the syndicalists in expecting a transition to the new society by legal, evolutionary methods. The principal agency of change is the same, that of the trade unions, transformed into comprehensive industrial units conscious of their power and objectives. Although political action is not altogether eschewed, it is not expected to play a significant part.

The industrial union structure is to be projected as widely as is feasible, and if possible a monopoly of the labor market obtained; using this weapon, the workers would promote a policy of "encroaching control" in each

industry, aiming at the gradual transfer of management from the employers to the unions. At the same time, pressure would be exerted upon the state to acquire ownership of production plants, or the workers themselves would offer to buy from the owners at a price approximating physical replacement cost. The whole program is intended to achieve its aims without encountering the issue of violence. But "direct action" methods—the strike, boycott, and picket line—would be used freely when necessary to win concessions from recalcitrant employers.

### DECLINE OF THE MOVEMENT

It will be seen that guild socialism arose primarily as an attempt to plan a social framework in which the existing conflicts of producer versus consumer, and state versus individual, might be resolved. The harshness of syndicalist tactics was tempered by the doctrine of gradualism; the state was not to be eliminated altogether, but to be counterbalanced by industrial self-government. In common with orthodox socialism, the ownership of production property was to be vested in the community, but the evils of bureaucracy were to be forestalled by decentralized control.

Although never an impressive movement in point of membership, guild socialism has nonetheless exerted a profound influence upon labor and socialist thought throughout the world. It sounded a timely warning against the dangers of state centralization. It stressed the idea, now widely acknowledged, of the social responsibility of property rights. Some of the measures it advocated—the closed shop contract, joint labor-management control, union shop stewards, functional self-government—have become accepted practices in industrial relations.

In an attempt to translate theory into practice, several

guilds were formed in England in 1919, notably in the field of housing construction. The ventures proved highly successful at first; but the post-war depression, followed by the withdrawal of government support, proved their undoing. In 1925 the National Guilds League was dissolved, its leaders shifting their support to other types of socialism. The movement exists today only in the residue of the thought it contributed.

## Christian Socialism

A new idea has gone abroad into the world that socialism, the latest-born of the forces now at work in modern society, and Christianity, the eldest-born of those forces, are in their nature not hostile, but akin to each other; or rather that the one is but the development, the outgrowth, the manifestation of the other.

—JOHN LUDLOW

THE Protestant Revolt of the sixteenth century had succeeded in displacing papal authority in favor of private conscience as the standard of religious life. It was thus one of the major currents of that great liberal movement which, instigated by the emerging middle class, eventually swept aside the whole of feudal society and replaced it with one in which untrammeled individualism dominated. In the realm of economics, it will be recalled, liberalism was interpreted as the freedom to engage in profit-making enterprise under conditions defined by the capitalists themselves.

In principle the Protestant ethic was fully compatible with this view—the more so since it was predominantly the adherents of the new faith who had launched the liberal attack on the aristocracy and the Church. But it was not long before the tragic consequences of the new industrialism forced their attention upon both Catholic and Protestant leaders. Programs of social reform, utopian and practical, emanated from religious sources during the late

eighteenth and, increasingly, into the nineteenth century. In general these programs were inspired by two purposes: a genuine desire to alleviate the suffering of the exploited working class, and the aim of recapturing for the Church the failing loyalties of the proletarian masses. Church leaders were becoming aware of the fact that the new intellectual climate was not conducive to organized religion—the liberal temper was inclined toward science and materialism, whereas the aims of socialism tended to emphasize humanistic and rational, as opposed to spiritual, values.

The conviction that the Church must take a definite stand on the side of the underprivileged was expressed at an early date by a French priest, Robert de Lamennais (1782–1854), who for a time received the active support of Pope Leo XII. Lamennais urged that the Church adopt the principles of the French Revolution as its own, assist the organization of workers into unions, and support their demands for a republican government. Another priest, Philippe Joseph Buchez (1796–1865), attacked the assumptions of capitalist enterprise, and proposed a system of co-operative workshops for production and distribution in the interests of the workers. Similar schemes, anticipating to some extent guild socialist proposals, were advocated by Bishop von Ketteler and Franz Hiltze, adherents of the German school of social reform.

#### CHRISTIAN SOCIALISM IN ENGLAND

In 1848—a year marked by acute economic distress and a flurry of revolutions—Christian socialism was launched in England as a conscious movement designed to commit the Church to a program of social reform. Its founders, notably Frederick Denison Maurice, Charles Kingsley, and John Ludlow, were deeply stirred by the misery and destitution prevailing among the British working class. As Anglican

clergymen, Maurice and Kingsley had given active support to the demands of the Chartists for prompt economic relief; but at the same time they proclaimed that the workingman must show himself worthy of the ends he would seek. Social reform, they insisted, must be tempered with Christianity; without a religious base upon which to build new relationships there could be no assurance of either justice or well-being. For all its humanitarian promise, socialism ignored the spiritual needs of mankind. Not only, then, must Christianity be socialized; socialism, in turn, must be Christianized.

The leaders of the movement embarked energetically on their twofold program. Kingsley, Maurice, and Thomas Hughes wrote eloquent tracts exposing the evils of the sweatshop industries, the tragic results of the enclosure system, and the consequences of unrestrained competition. They fostered the establishment of co-operative workshops and distributive societies, patterned after those of France and the Rochdale Pioneers. Realizing the need of mass education, the group organized a Workingman's College in 1854, and set up classes in elementary instruction wherever possible. Support was given as well to the trade-union movement, then engaged in seeking the right to organize and to bargain for their members.

Briefly, the aim of the Christian Socialist Society was to make public property all the resources and production facilities of the nation, and to put their operation in the hands of producer co-operatives which would share their income fairly among their members. Distributive and financial activities would be carried on by consumer co-operative societies.

Any tangible assessment of the influence of the Christian socialist movement is difficult to make. Yet there is no doubt that it contributed greatly to the reform legislation that

followed, and that it gave a strong impetus to the growth of co-operatives. Its manifestly sincere attempt to adapt Christian morality to industrial practices could not but affect the human conscience everywhere.

At present Christian socialism exists, not as an organized "movement," but as a set of convictions professed by leaders and adherents of a number of religious denominations. In the absence of any formal organization, except in local instances, Christian socialists operate as individuals or as members of other groups devoted to similar ends.

### CHRISTIAN SOCIALIST DOCTRINE

Consequently Christian socialism now represents neither an integrated doctrine nor a systematic program. What is common to all its adherents is the conviction that the teachings of Christ provide a basis for social, as well as personal, relationships; that these teachings further imply a type of society which approximates that of socialism and is at complete variance with predatory capitalism; and that a duty rests upon sincere Christians to bring about the desired change. The purposes of God and of man, it is maintained, can be served only when community interests are given priority over those of the individual, when the uses of property are defined by the common good, when acquisitiveness has given way to the satisfaction of human need, and when the principles of co-operation take the place of competitive struggle. These aims once realized, it is believed that human brotherhood, which is at the core of the Christian faith, will have become possible. The socialist commonwealth is therefore desired not for itself, nor even as a necessarily permanent condition, but because it is a major contribution to the ethical and religious life of man.

## CHRISTIAN SOCIALIST SOCIETY

There is a maximum diversity of opinion as to the actual form of the society contemplated. Proposals range from support of a "reformed" capitalism to that of a purely communistic system, in which all kinds of property would be held in common. The majority clearly favors a kind of socialism in which the agencies of production, distribution, and exchange would be owned in common and guided by a central planning board, but with actual operations carried on by self-governing producers' associations.<sup>1</sup> Emphasis would be placed on the dignity of human labor and the social values of co-operative enterprise.

## METHODS OF TRANSITION

While recognizing the present conflict between economic classes under capitalism, Christian socialists reject Marx's advocacy of revolutionary change.<sup>2</sup> Their efforts are devoted to the general improvement of working-class conditions, educational activities, encouragement of labor unions, action through political parties, and particularly the formation of co-operative enterprises. By these methods it is hoped that it will be possible to eradicate the worst evils of capitalistic society and eventually to combine the moral force of the Church with the political power of the state in accomplishing a transition to socialism.

The essence of Christian socialism is to be found in its religious impulsion. Its participation in social change stems from the conviction that the teachings of Christ, in order to

<sup>1</sup>See the sections entitled "Building the Socialist Economy" and "Economic Agencies" in Chapter 8.

<sup>2</sup>There are some exceptions to this attitude, as there are also exceptions to the generally accepted pacifist position of Christian socialists; forcible action, as a last resort, is considered by some to be justified if necessary to uphold legal processes.

be fully realized, require a remolding of human institutions. From this fact is derived the denial of capitalist society and acceptance of socialism as the alternative—as well as the means to be used toward that end. From this same point of reference, Christian socialism denies the validity of historical materialism<sup>3</sup> as the sole explanation of social change. But with equal vigor it affirms that Christianity implies social responsibility, and that material factors have a vital bearing on the ability to live a religious life. Personal faith in a God must not become an escape from the realities of human existence. The Christian imperative must operate equally in all areas, personal and social, or it will become wholly sterile.

### PRESENT INFLUENCE

Christian socialist doctrines have spread, in varying forms, to the membership of various Protestant, Catholic, and Jewish groups throughout the world. The movement took root in the United States during the latter part of the nineteenth century, and has since been diffused widely through subsidiary church groups of various denominations, mainly Protestant but with some Catholic representation. A number of prominent religious leaders have been consistent advocates of Christian socialism in this country, among whom may be mentioned the Reverend Josiah Strong, W. D. P. Bliss, Washington Gladden, and Walter Rauschenbusch; among more recent leaders, Harry F. Ward, Sherwood Eddy, Jerome Davis, John Haynes Holmes, Kirby Page, Paul Tillich, and Reinhold Niebuhr. Indeed, there are few denominations today that would deny the vital concern of the Church with social and economic affairs. Both in Britain and in the United States during recent years there have been issued official church pronouncements of policy which

<sup>3</sup>See chapter on Marxism.

embodied a full socialist program. The Fellowship of Socialist Christians, with headquarters in New York, publishes a quarterly periodical of its views under the title *Christianity and Society*, of which Reinhold Niebuhr is editor. Another publication in this field is *The Protestant*, of which Kenneth Leslie is editor.

On the European continent, however, so-called Christian socialist trade unions and political parties have frequently been formed for the express purpose of conducting anti-Semitic campaigns, or of counteracting the inroads of Marxian socialism among church groups and trade unions.

#### A NOTE ON THE POSITION OF THE CATHOLIC CHURCH

The social doctrine of Catholicism is based upon the philosophy of Natural Law, which received its definitive statement in the writings of St. Thomas Aquinas. The official position of the Church on issues of modern industrial society has been best expressed in the Encyclical Letters of Pope Leo XIII (particularly the *Rerum Novarum*, 1891) and of Pius XI (Quadragesimo Anno, 1931). Neither of these pronouncements is to be considered as an endorsement of socialism in any form. They do, however, reveal the preoccupation of the Papacy with problems involving the relationships of church and state, labor, employers, and industrial organizations. The Church's position may be described as one of "welfare capitalism": it affirms the right of private property ownership in land and other resources, but with the moral obligation to employ them for socially productive purposes; unrestrained individualism is repeatedly condemned, as is the tendency to monopoly in business; there is to be a "just wage" payable at all times, sufficient to support the family group; the obligation to supply employment to all able and willing to work; special protec-

tion for women and children in industry; encouragement of trade and vocational associations, and of profit-sharing and joint-management plans; legislative intervention by the state in the economic sphere only when community and employer facilities are inadequate; provision for social security benefits; and the injunction to both owners and workers to co-operate harmoniously for the common good in industrial affairs.

## Fabian Socialism

History tells us that the status quo is of all things the most liable to depart; the millennium of all things the least likely to arrive.

—JOHN GALSWORTHY

THE publication of *The Communist Manifesto* by Marx and Engels in 1848 served as an unmistakable threat to the ruling classes of Europe. The abortive revolutions of the same year showed no less unmistakably what the answer to that threat was to be. But, while on the continent of Europe attempts at reform were meeting only ruthless repression, England was undergoing a non-violent transition in her political and industrial life. The prolonged agitation of the Chartist, the writings of Mill, Ruskin, and Carlyle, and the reform measures of the indefatigable Robert Owen were beginning to bear fruit. By 1832 the franchise had been broadened to include for the first time a sizable representation of wage earners. The beginnings of social legislation followed—remedial measures to correct some of the crudest abuses of the factory system. A social conscience, so to speak, was being born in the nation. Through their newly approved trade unions wage workers had gained collective bargaining strength and subsequently the right to strike; their consumer co-operatives, meanwhile, were helping them to a higher standard of living. Although social and industrial reform in England continued pitifully in arrears, the agencies of meliorism seemed at last to be

operating. Unlike the workers on the Continent, Englishmen could expect progress through evolution.

Moreover, Marx's prophecy of capitalist breakdown showed no signs of realization. It was the order of feudalism that was disintegrating, and merchant capitalism was showing itself a most energetic successor. In spite of occasional setbacks and domestic crises, English industry continued to expand at an unprecedented rate, and under the influence of ameliorative conditions the demand for revolutionary struggle gave way to the conviction that social change could be achieved by gradual, parliamentary means.

### FORMATION OF THE FABIAN SOCIETY

It was under these circumstances that the Fabian Society<sup>1</sup>—whose doctrines have since typified this particular brand of English socialism—was formed in 1884. The Society attracted from the first a group of brilliant and influential leaders, chief among whom were Sidney and Beatrice Webb, George Bernard Shaw, H. G. Wells, Graham Wallas, Edward Pease, and Sidney Olivier. Their purpose was to propagate socialism by educational and parliamentary means: to demonstrate both the desirability and the certainty of its success on the basis of historical, ethical, and economic grounds.

The goal of Fabianism is a socialist society, but this is virtually its only connection with Marxism. The path it proposes to follow is purely one of reform, and that by way of conventional political methods alone. The Fabian Society itself is primarily a research institution whose chief function has been to furnish the intellectual ammunition for social

<sup>1</sup>The name is derived from Quintus Fabius Maximus, surnamed Cunctator (delayer), the Roman general famous for his successful tactics in delaying the enemy and refusing to give direct battle during the defense of Rome against Hannibal.

reform, and to support all such measures as contributed to the gradual attainment of socialism. During the six decades of its existence the Society has published an imposing number of books and pamphlets of the highest merit on social and economic problems. Several of its members have served in British Cabinet positions, and the policies of the Society have been adopted as the official program of the Labour party.

### CONTINUITY OF PROGRESS

The Fabian position is best understood on the basis of the historical analysis made by Webb. The nineteenth-century attempt at individualist enterprise was so impermanent, he points out, that almost from the first it was necessary to limit, to regulate, and in part to supersede it. Socialism is the inevitable accompaniment of machine industry; every industrial nation, whatever its political complexion, has recognized that fact. The weakness of utopian schemes in attempting to reconstruct the social order was that each regarded society as in a static condition, a "perfectly balanced equilibrium" without need of change. As against this notion Webb stresses the dynamic character of the social organism and the continuity of its internal growth. "The new becomes itself old, often before it is consciously recognized as new."

Social reorganization—that is, the adaptation of institutions to the dynamic growth occurring within society—can come only through methods that are consonant with this historical progression. Hence they must be gradual, peaceful, and democratic. It was thus that the extension of the franchise had been gradually won, and political power made responsible. And it was now coming to be realized that the necessary obverse of popular government was control of their economic agencies by the people themselves. Only

then could it be assured that the full benefits of their labor would accrue to those who had produced wealth. Not until then could the fruits of co-operation replace the anarchy of the competitive struggle. "The economic side of the democratic ideal is, in fact, socialism itself."

### METHODS OF CHANGE

Fabian reform tactics are thus inspired by a faith in progress and in the continuity of social development. Its leaders are convinced that men are rational enough and sufficiently sensible of their common welfare to accept whatever improvements can be demonstrated as necessary. In proof of this thesis they point to the considerable body of legislation enacted in response to social need—acts for housing, insurance, medical care, conditions of work, and minimum wages. Fabians are confident that, as the desirability of socializing the land and industries of the nation is made apparent, public opinion will be persuaded to embark on the program. The process would be one of gradual "permeation" of those groups directly concerned with economic policy: trade unions, political parties, government officials, technicians, managers, even enlightened employers. In a sense all pressure would be political, since Fabians look to the parliamentary state to vote in socialism by stages, confident as they are that the extension of suffrage and representative government has made such action possible.

While still inviting the support of all sections of the population to their program, the Fabians early recognized the importance of the growing trade-union movement as a vehicle for socialization. The Society collaborated first in the establishment of the Independent Labour party, and later identified itself closely with the more moderate Labour party. Similarly, a large amount of support has been ex-

tended to the British co-operative movement, recognized by Fabians as a practical force demonstrating the advantages of non-profit industry. But, in general, independent industrial action by trade unions is not encouraged. Every effort toward change must be translated into political form and exerted upon those engaged in governing and administering the state. Fabians emphatically reject the tactics of class warfare, they do not foresee the inevitable breakdown of capitalism, and they refuse to concede the exclusive role of the working class in effecting reform. Fabian socialism is to issue from the enlightened co-operation of the social classes, whereas Marxian socialism is expected to result from the conflict of opposed classes. In its entire spirit, as well as in its methodology, Fabianism remains at the opposite pole from Marxism.

### ECONOMIC THEORY

In economic theory the Fabians adhere rather to the tradition of the nineteenth-century utilitarians than to the more vigorous departures of Karl Marx. Whereas Marxians claim that the value of all economic goods is to be measured by the amount of labor necessary to produce them, Fabians find that the value of goods depends rather upon their social utility. This necessarily invalidates the Marxian theory of surplus value as an explanation of how the owners of capital exploit their workers. Fabians trace the injustices of capitalism instead to the privilege granted to owners of property to profit exclusively from land and industrial values created by others. Thus the three categories of "un-earned income"—profits, interest, and rent differentials—are sums extorted by the owners of land and capital without exertion on their part. They are direct subtractions from the earnings of labor, management, and technicians, or from the community as a whole, and should properly be added

to the wages and salaries of those who engage directly in the productive process.

Particular stress is placed on the differential rents obtained from land ownership. It is claimed that the actual value of land, whether for crops, residences, or industrial purposes, is created by the whole community through its very existence and natural growth; consequently private landlords should not alone be permitted to reap the benefits.<sup>2</sup> Similarly, it is held that the efforts of both labor power and capital are so fundamentally social in all their consequences that their use for private gain is wholly unjustified. Fabians therefore maintain that the land and the machinery of production ought to be acquired gradually and owned in common, so that society as a whole could benefit from their use.

#### IMPERIALISM AND NATIONALISM

Fabian socialists, unlike Marxians, are not consciously internationalist in their outlook, nor do they wholly condemn British imperialist policy. They are concerned rather with stressing progress within their own nation and aiding in the removal of barriers to amicable intercourse with others. Though willing to collaborate with other like-minded groups, they have no permanent affiliation with international working-class parties such as the socialist or communist organizations.

With regard to India and other native colonial possessions, Fabian policy is to urge increasing self-government within the Empire as soon as the population is prepared for it, and to promote improved social and economic conditions as rapidly as possible.

<sup>2</sup>This theory of land values is traceable to the influence of the English economist David Ricardo and to the American, Henry George, the latter famous for his "Single Tax" proposal. See Chapter 15.

## CHAPTER 15

### The Single Tax<sup>1</sup>

(Land Value Taxation)

He best conserves who lops the mouldering branch away.

—ALFRED TENNYSON

THE publication in 1879 of Henry George's *Progress and Poverty* projected a movement for land reform which continues to play an important part in both socialist and non-socialist thinking. The American economist's proposals were by no means entirely new. As early as 1775, Thomas Spence, a Scotch schoolmaster, protesting against the private appropriation of rents from village property, had contended that the land belonged of natural right to the community as a whole and should not become a subject of speculative profits. He proposed that title to the land be vested in the parishes, which could then rent it out at a moderate rate to farmers—the revenue to be used to replace all other forms of taxation. A similar *impôt unique*, or "single tax" on land, was advocated by the French Physiocrats at about the same time, but for another purpose—to free productive labor from the burdensome restrictions of mercantilist policy, which favored commerce at the ex-

<sup>1</sup>The term "single tax" is an over-simplified and somewhat inaccurate designation of the present-day movement which seeks to reform the existing systems of land value taxation. The term is used here, despite its inexactness, for two reasons: to identify the doctrine by its popular name; and to apply to that part of the description which treats directly with the original proposals of Henry George.

pense of agriculture. John Stuart Mill, the famous English political economist, founded in 1870 the Land Tenure Reform Association, which was pledged to reclaim for society the future increment of its socially created values in land. In America the noted revolutionist, Thomas Paine, argued that the possession of land rightly inhered in the community, and that its proceeds ought to be recovered by a ten per cent inheritance tax on estates, the income to be devoted to free education and the support of the needy.

The "land problem" in Europe first became acute when, in the sixteenth century, improved agricultural techniques and an expanded market led to the replacement of small-scale subsistence farming by industrial agriculture for profit. Landowners resorted to the practice of *enclosure* of the common lands in large private estates, thus depriving the peasants of their traditional rights to the soil—the most stabilizing force of feudal society. The change produced striking improvements in the yield of crop and pasture lands, but it forced a large part of the rural peasantry into conditions of abject poverty and insecurity.

#### HENRY GEORGE

While the narrow concentration of land ownership among the English and French aristocracies gave special point to projects for reform in those countries, it was in the United States that a coherent program of relief was first formulated. The proposal which Henry George elaborated in detail in his *Progress and Poverty* was foreshadowed in his earlier monograph, *Our Land and Land Policy*, published in 1871. From then until his death in 1897 he devoted his life to the promotion of his doctrine, writing voluminously and engaging in political activity to secure its adoption. His success in winning adherents to his cause was

considerable. During the course of his agitation he engaged in speaking tours throughout England, Ireland, Canada, and Australia, where resounding enthusiasm attested to the persuasion of his proposals. On two occasions he conducted vigorous campaigns for election as mayor of New York, with the dual purpose of publicizing land reform and initiating the single tax program. Death brought an end to his efforts in 1897, during the final days of the second campaign.

### ANALYSIS OF LAND RENTS

In his *Progress and Poverty* Henry George addressed himself to what he termed "the greatest enigma of our times"—why it was that, in a period which featured the most notable increase in wealth production, there continued to exist so large a measure of poverty. His conclusion, after analyzing at length the practices of contemporary business, was that every increase in industrial production was quickly offset by at least as great an increase in the rental cost of land. Since industry and agriculture alike were dependent upon the resources of the soil, the landowner was in a position to extort the first and largest share of the rewards of production—leaving to labor and capital an uncertain, marginal return. In this fact, according to George, lay the real causes of economic insecurity. Excessive land rentals discouraged the potential expansion of industrial enterprise; they caused productive land to be withheld from use, forced a large number of businesses to fail, reduced mass purchasing power, and led to chronic unemployment and poverty.

### LAND AS COMMON PROPERTY

By whose authority, George asked, does there exist private property in land? Under what circumstances did the bounty of nature—the common heritage to which no

man contributed—become the possession of a class of owners who could exact tribute from others for its use? In ancient times, he points out, much or all of the land was held in common; it was worked by members of the group who paid into the general fund a portion of their produce. This was the revenue out of which both civil and military costs were met. The increase of the land's value redounded to the benefit of all.

*Private* land ownership, George contended, originated in acts of fraud and violence, and it became a legal institution only with the rise of Rome. Conquered lands were allotted to victorious leaders, and their tenants enslaved; exclusive title and the right of inheritance were then written into the law. After the fall of Rome, property again largely reverted to common use. The system of feudalism was permeated throughout with a recognition of the reciprocal rights and duties of landholding. But the era of individualism once again sanctioned the establishment of private title, in the name of a freedom which actually meant the right of a few to monopolize the source of livelihood for all. Henry George concludes: "The truth is, and from this truth there can be no escape, that there is and can be no just title to an exclusive possession of the soil, and that private property in land is a bold, bare, enormous wrong, like that of chattel slavery."

#### LAND VALUES A SOCIAL CREATION

Yet it was not in the fact of private title as such that Henry George perceived the source of injustice. The real crux of the problem lay in the distinction between *socially created* and *individually created* values. "Here are two simple principles," he argued, "both of which are self-evident. 1. That all men have *equal* rights to the use and enjoyment of the elements provided by Nature. 2. That

each man has an *exclusive* right to the enjoyment of what is produced by his own labor." The land, with its resources of soil, water, metals, minerals, petroleum, and forests, is common property; it is Nature's gift to humanity at large. In its original state it embodies no human labor, no risk, no foresight, no capital investment. As common property, then, the land should adhere to the community as a whole; its use for productive purposes should be made freely accessible to all, whether for farming, factory, mine, business, or residence—but whatever income derives from the rental value of the land itself should properly become a public revenue. To permit private appropriation of such wealth, George contends, is to rob the community of that which it alone has produced.

For what is it that gives value to land? Surely it is not the individual who holds title; for he may be absent, and the land will double in value, or perhaps become worthless. The clear fact is, according to land reform advocates, that land values are at all times a *social* creation, a phenomenon inseparable from the condition of society. The increase in worth of any site or real property is a consequence of community growth, of the expansion of population, of public improvements, of the aggregate social and economic life—rather than the efforts of any title-holding individual. Let the community increase in size, and the common property is enhanced in worth. Let the mines be exhausted of their ore or the inhabitants move, and the land becomes cheap or worthless—even the farms round about, which have lost a part of their market. "The value of land," says George, "expresses in exact and relative form the value which is socially created."

This being the case, it is but simple justice that whatever increase in value accrues to such property or the rentals therefrom is rightfully the product of the whole com-

munity, and the full amount should find its way into the public treasury.

### FULL REWARD FOR INDIVIDUAL EFFORT

It will be recalled that the second of Henry George's "self-evident" propositions is that each man has an exclusive right to the product of his own labor. Here again, it is claimed, the principle of justice is at present violated. For, under current fiscal systems, society confiscates a part of every man's efforts through taxation. The foundation of productive enterprise is laid through energy, skill, thrift, and expansion—yet it is precisely these virtues that are penalized by existing tax measures. Improvements upon the land—such as the drainage of a swamp or the building of new barns, better homes, and modern factories—are levied upon as if they were a nuisance instead of a benefit to the community.

Because a finer home is taxed upon its higher valuation, the home owner is forced to live in his shack; the tenement landlord finds it unprofitable to build new apartments; the farmer leaves a part of his land unimproved, lest the higher assessment overcome his advantage; the manufacturer decides against new machinery because the old is less heavily taxed; industrial expansion is discouraged, labor is unwanted, and all must be content with less than their desires. In addition, the multiform taxes levied upon all forms of production must be shifted to the prices of the goods produced, so that the consumer always bears the final cost.

Thus is society weighted down by a double injustice: the non-producing landlord extorts from the community the major part of its socially created wealth; the community, in turn, confiscates a portion of the rightful produce of labor and capital through taxation.

## THE SINGLE TAX REMEDY

How is this double injustice to be corrected? The plan proposed by Henry George is simple: to levy a tax upon the land which would be equal to its full annual rental value, and at the same time repeal all other forms of taxation—business, license, income, excise, tariff, custom, retail sales, and on every type of personal property and improvement.

A tax on land privately owned is, of course, nothing new; it is in use everywhere, supplying in the United States a major source of revenue for counties and municipalities. But the *rate* of taxation on such property is at present fairly moderate: allowing for local variations, as well as differences in assessment practice, it may roughly be estimated at one per cent of the land's valuation. The single tax would boost this rate to approximately five per cent, which would represent the average annual rental income derived from such land in use, whether it be for home, farm, or factory.

Land not in current use, but withheld for whatever purpose, would be taxed on exactly the same basis. It should be made clear that the single tax is a levy on the rental value of the *bare land* only, including its natural or subsoil resources; its assessment would exclude buildings or other "improvements" which were the product of human labor. There is substantial agreement among economists that such a tax would probably yield sufficient revenue for the normal requirements of government.

## APPLICATIONS OF THE SINGLE TAX

The simplicity of the reform contemplated by single tax advocates is urged as a strong argument for its adoption. No revolutionary or otherwise drastic measures would be re-

quired in the process; no economic upheaval or class struggle is foreseen. Conventional political methods alone would suffice. Candidates pledged to enact legislation for land tax reform would be elected to local, state, and national legislative bodies. A more recent device has been the use of the direct initiative to submit "land reform" proposals for approval to the general electorate.

The full single tax program would be effected by a graduated land tax extending over perhaps five years, during which the tax rate on the land (including its subsoil resources) would be progressively increased until it would approximate the annual rental value of the land. Some examples may help make this clear. (A) A department store has leased a business site and on this constructed its own building. It pays an annual rental of \$6,000 to the owner of the land. Assuming that this sum represents about five per cent of the assessed valuation of the land, the whole of the \$6,000 would be payable as taxes by the owner to the community. In return the department store (and the owner of the land) would be exempt from taxes on the building, on business profits, on personal income, and all other levies. (B) A vacant city lot is valued at \$5,000—that is, it could be sold at that price. The land is thus worth for use about \$250 a year, and this is the amount of the tax which would be levied on it. (The average tax at present would be about \$50.) The owner might continue to hold the land vacant, which would be thoroughly unprofitable; he might build on it for investment purposes, in which case, while paying the land tax, he could profit on his investment free of other taxes; or he could simply let the vacant lot revert to the community, which would then offer it for improvement or productive use. (C) If a residential lot on which a dwelling is built is assessed at \$2,000, the single tax applied against it would be in the neighborhood of \$100 a year, whether

owned by the tenant, landlord, or the community. There would be no taxes on the home itself. (D) In the case of a farm of 180 acres, valued at \$6,000 (apart from its improvements) and operated by the owner, the tax would be something like \$300 a year. Improvements would be exempt, and there would be no other taxes.

### ADVANTAGES OF THE REMEDY

What advantages are claimed for their plan by single tax advocates? Most notably, that abolition of the present burden of taxes upon enterprise would greatly stimulate industry, encourage new business ventures, reduce unemployment, lower the costs of living, and guarantee to both labor and capital the full reward of their production. It is expected that the taxing of all land at its full income value, whether in use or not, would bring an end to the practice of holding idle land for speculative profit. Such unused land either would be thrown open to improvement, or would revert to the community for non-payment of taxes. As a consequence the selling price of land everywhere would show a downward trend.

Applying the accepted canons of taxation to his proposal, Henry George asserted (1) that the single tax would be easily and cheaply collected, through utilization of already established agencies and methods; (2) that the tax could not be shifted to other individuals or products; (3) that it would be certain in its incidence, for land cannot be hidden or its value controverted; (4) that it would provide adequate revenues for all normal purposes; and (5) that it would satisfy the democratic demand for equal opportunity, since it is a tax upon the common heritage in which all command an equal share. Moreover, the large public sums

now being spent upon poor relief and the great array of tax-collecting agencies could in this way be saved.

### STATUS OF LAND TITLES

Single tax advocates are indifferent whether land titles remain in private hands or are transferred to the community, so long as the full ground rental of each piece makes its way into the public fund. No proprietor would be dispossessed, no limit placed upon the size of landholdings. But, clearly, there would be little material advantage in retaining legal ownership while relinquishing income, and it is expected that a large part of the land would soon become socialized—that is, title would be formally transferred to the community.

For tenants, the legal and fiscal situation would remain unaltered, in effect representing a change in landlords from private owner to community. Those who both owned and used their land for some productive purpose would continue to derive from their enterprise or business investment whatever income it yielded, receiving exemption from all other taxes while paying to the community the rental value of the land itself.

### LAND REFORM—THE MODIFIED SINGLE TAX

There is no instance where the full single tax program has been adopted, but there may be found a number of cases of "land reform" involving the same principle and sometimes directed consciously toward socialization. The method is usually that of an increased tax levy on the land, with a corresponding reduction in the tax rate on buildings and other improvements. As a matter of fact, the conception of "community-created values" is frequently recognized in

ordinary fiscal programs, such as applying a higher rate on income from rent, interest, and profits than on individual "earned" income of wages and salaries.

Even before the publication of *Progress and Poverty* land tax measures had been adopted in New Zealand, looking toward eventual socialization of the land; at present some one hundred municipalities, including Wellington and Christchurch, have shifted tax levies increasingly upon the land. "Home rule in taxation"—permissive legislation authorizing municipalities to adopt similar measures—has been in effect in Canada and Australia, and to a lesser extent in Germany, for several decades.

In the United States a variety of legislative and initiative attempts to permit local option in land taxation have been made in a number of states, generally without success. In some cases successful enactments have been rejected by the courts as unconstitutional. Pittsburgh and Scranton, Pennsylvania, have utilized a "graded tax" plan since 1912, in accordance with which *land* is assessed for taxation at full value, but *improvements* are assessed at a descending ratio of their value. Several community "enclaves" for experiment with single tax principles have been operating in the United States for some years.

Agitation for adoption of the full or modified single tax continues not only in this country but in Great Britain, Denmark, Canada, South Africa, and Australia. In Britain both the Labour and Liberal parties are committed to a policy of land tax reform. In the United States the "single tax" doctrine and the name itself have been abandoned in favor of a more modest and practical emphasis upon land values taxation. A vigorous educational program in furtherance of this aim is conducted by the Henry George School of Social Science, with headquarters in New York City. The movement has its own publishing house, the Robert

Schalkenbach Foundation, New York, which is dedicated to keeping all of Henry George's books in print.

### THE SINGLE TAX AND SOCIALISM

The single tax is not socialism; upon this both groups are fully agreed. The sole similarity is that socialism would, as part of its comprehensive program of ownership of production resources, take possession of the land or recapture its increment through taxation. But socialists contend that land is *only one* of the socially created values whose benefits are appropriated by the property-owning class, and that the single tax remedy, while effecting a partial redistribution of wealth, could not alone correct the exploitation of labor or prevent the recurrent crises of capitalist enterprise.<sup>2</sup> They add the further objection (concurred in by non-socialists) that, although existing land titles may have originated in fraud and violence, they now represent in most cases an investment derived from labor-created capital. Thus socialists generally propose compensation for all or part of the land and resources taken for public use.

For Henry George and his followers, the system of private enterprise with all its basic elements is wholly acceptable, once it is freed from bondage to the landowners. This achievement alone is expected to stimulate enterprise, abolish poverty, and bring to fruition that "free and equal association of individuals" which is regarded as the hallmark of progressive society. George persistently repudiated the socialist program, arguing that the abolition of private property in the agencies of production, apart from natural resources, was undesirable as well as unnecessary. He would have nothing to do with any form of collectivism, but was concerned rather to release capital and the con-

<sup>2</sup>See further discussion of this point under Fabian Socialism, Chapter 14.

structive energies of business enterprise by loosing the fetters of land monopoly.

Finally, land reformers are vigorously opposed to the intervention of government in economic affairs, in this respect standing very close to the position of Adam Smith.

## CHAPTER 16

# The Co-operative Movement

Consumption is the sole end and purpose of production; the interest of the producer ought to be attended to only so far as it may be necessary for promoting that of the consumer.

—ADAM SMITH

THE co-operative movement is the name used to designate those forms of economic activity in which organized groups own and operate business enterprises for the mutual benefit of their members. The most typical pattern of this activity is known as *consumers' co-operation*—to which the greater part of this description is devoted. Other types of co-operation, in which the interests of producers predominate, are treated more briefly.

### HOW THE MOVEMENT BEGAN

The heroic saga of the twenty-eight impoverished weavers of Rochdale, England, who launched the now worldwide co-operative movement, is familiar to many. It is the story of men wholly unconcerned with theories of reform but desperately anxious to provide an improved standard of living for their families. Unable to obtain enough income to satisfy even their most elementary wants, these underpaid and overworked weavers of Rochdale undertook an experiment in economic self-help. By arduous skimping and saving, they managed to put aside a pound apiece and with their combined savings (about \$140) the twenty-eight went

into business for themselves. Their purpose, however, was not the accumulation of profits. In their new role they saw themselves not as producers, but rather as consumers who had simply decided to get the most for their money by eliminating the retail merchant and acting as their own distributors. They would thereby assure for themselves the maximum return in quantity and quality of goods to which their meager savings were entitled.

Thus was formed the "Equitable Society of Rochdale Pioneers" in 1844. It was not the first attempt at co-operation among consumers in the economic field, but it was the first to introduce a successful formula for business growth under competitive conditions. The Rochdale principles of operation, described below, remain virtually unaltered to this day, and govern the conduct of an overwhelming proportion of consumer enterprises everywhere. So effective did they prove, and so compelling the need among distressed workers in other communities, that by 1863 the number of co-operative stores in England and Scotland was well over four hundred.

The logical next step in co-operative growth was the formation of a central buying agency to serve the steadily increasing retail stores. In 1864 the Co-operative Wholesale Society of England came into being, its properties owned and managed by the member societies and its earnings refunded to them in proportion to their patronage. Through the medium of their wholesale agency the co-operative societies next moved into the field of production. Thirty years after the founding of the first small store in Rochdale, consumers' co-operation in Great Britain had successfully established itself as an important segment of business enterprise in manufacturing and distributing a wide variety of goods and services for its members. The movement has since spread, in varying degrees and despite many setbacks,

to more than forty other countries. It is pertinent, then, to examine the conditions upon which this growth was predicated.

### CRITICISM OF PROFIT-MOTIVATED BUSINESS

The mainspring of consumers' co-operation is its dominant concern for the welfare of the consumer in the economic scheme. The contention is that, no matter what the form of economy may be, there is only one class that is in this respect universal, only one function in which all share alike—that of the consumer. The satisfaction of those who are to be served ought therefore to be the guidepost for the furnishing of economic goods and services.

But, as now constituted, business enterprisers, investors, and workers each pursue their own narrow group interests in competition—or, worse yet, at times in collusion—with each other; regardless of whose advantage is immediately served, the consumer pays the bill. The good of all is abandoned in the search for special advantages.

More specifically, co-operators contend that in a capitalist economy consumers have become the victims of the profit motive. When the output of goods and services is geared solely to the prospect of personal gain, a number of serious abuses appear: monopolistic practices, competitive wastes, excessive management costs, needless duplication of products, misleading or fraudulent advertising, adulteration and misbranding of goods, suppression of patents, and the like.<sup>1</sup> As a result the welfare of the consumer as such becomes no more than a casual by-product of the search for profits.

<sup>1</sup>See Chase & Schlink, *Your Money's Worth*; Kallet and Schlink, *One Hundred Million Guinea Pigs*, etc. The efforts of such testing bureaus as Consumers' Union and Consumers' Research have given wide publicity to such practices and consequently strengthened the hand of the co-operatives.

Apart from this, few co-operators would quarrel with the institutions of capitalism. The maintenance of private property, the right of free enterprise, the wage system, and the competitive market—these are features no less of co-operation than of capitalism. It is rather their abuse to which co-operators object.

### How Co-OPERATIVES FUNCTION

To ensure their own welfare, then, co-operative societies consisting of a group of organized consumers arrange to set up business enterprises in competition with private concerns. The enterprise might take the form of a retail market, cafeteria, service station, clothing store, or similar venture. Capital to finance the venture is obtained by the sale of shares to members, ordinarily in five- or ten-dollar denominations. The society entrusts the management of the business to an elected board of directors, which hires the necessary employees and is responsible for general policy. In a retail store two kinds of goods are sold: (1) standard products obtained through normal trade channels; and (2) co-operative brand products supplied by co-operative producing units. The latter are preferred whenever available, both because their quality is assured and because their purchase means an additional refund. Directly or indirectly the members of each society can prescribe their own standards of quality and the conditions under which their business shall be run.

At regular meetings of the society the net earnings of the enterprise are distributed. Generally the fund is divided along these lines: (1) A small portion is set aside for educational and recreational activities. (2) A larger share is made available for expansion and improvement of the business. (3) The balance is apportioned in the form of rebates

to members of the society on the basis of their purchases during the period.

Frequently such ventures as described above begin in a modest way as "buying clubs," without an established place of business and with no paid employees. Capital obtained through payment of membership shares is augmented by refunds to the co-operative for business entered into by contracts with private firms. At least in its beginning stages, every co-operative depends to some degree upon the unpaid voluntary help of its members.

### VERTICAL EXPANSION

As noted in the English experience, the growth of consumers' co-operatives does not halt with the establishment of a retail store outlet. The next advance comes with the formation of a wholesale distributive center, by a group of several retail societies, which control and administer the larger unit. As opportunity offers, wholesaling moves on to importing, warehousing, processing, and manufacturing. At each step the profits ordinarily reserved for private enterprisers are made available to the member societies financing the operations, and are again apportioned on the basis of patronage. In its ultimate form, co-operative enterprise foresees a complete non-profit cycle from the extraction of raw materials to the distribution of finished consumers' goods

### UNDERLYING PRINCIPLES

The experience of a century of costly trial and error has established for consumers' co-operatives the desirability of certain methods and practices in guiding their behavior. As noted above, these derive in the main from the rules laid down in 1844 by the Rochdale Pioneers. They are as follows:

1. Membership in a co-operative society is open to all, without reference to race, color, sex, religious creed, or political affiliation.

2. The affairs of the society are conducted on a democratic basis, with an elected board of directors to serve in an executive capacity. Regular meetings are held, open to all members.

3. Each member is entitled to but one vote, no matter how many shares of capital he may hold. There is no voting by proxy. (This contrasts with regular business practice, in which voting is by number of shares owned or obtained by proxy.)

4. Investment capital, which is raised by the sale of membership shares, usually earns a low fixed rate of interest and is returnable on termination of membership. There is no speculation in co-operative shares, and no fluctuation in value relative to earnings.

5. Net earnings of the business are refunded to members, at stated intervals, not on the basis of shareholdings, but *in proportion to the amount of purchases made by each member*. Thus, if a five per cent "dividend" is declared, a member who has purchased \$300 worth of goods from his co-operative store will receive a \$15 rebate.

6. Business is conducted, with few exceptions, on a cash basis. Goods customarily are sold at current market prices, except in such cases as those in which the co-operative feels it may safely undersell private competitors.

7. Goods and services may be sold to the public at large, but patronage refunds are paid only to bona fide members. Non-members, however, are often permitted to buy their way into the co-operative by having their purchases credited toward payment of membership shares.

8. Societies generally are neutral with regard to political, religious, or other controversial matters. This does not ap-

ply, of course, to the activities of individual members as such. Co-operatives, however, are likely to take a definite stand on matters of legislation which affect their vital interests.

9. A portion of the earnings of each society is set aside for educational purposes. This takes the form of pamphlet literature, business training of personnel, conferences, and general instruction in the principles and techniques of co-operation.

10. Employees of co-operative enterprises are encouraged to organize into trade unions for the purpose of collective bargaining. Many societies insist that the goods they handle be produced under approved wage and working conditions. Employees of co-operatives are frequently members of the society for which they work.

11. Wherever possible, societies co-operate with each other on a district or regional basis for purposes of publicity, education, or expansion of business.

#### TYPES OF CO-OPERATIVES

It is possible to distinguish four main patterns of co-operative activity.

The first and most authentic form is that of *consumers' co-operation*, described above. It aims to supply its members with an adequate amount of goods or services of assured quality at low prices. Ventures in this field now include retail stores vending such articles as groceries, meats, dairy products, drugs, clothing, gasoline, and oil; service associations for housing, insurance, medical care, hospitals, laundries, and cafeterias; the supplying of gas, heat, water, and electricity; and a variety of other economic and social services ordinarily operated as profit-making businesses. Sometimes, as in the case of bakeries and creameries, the societies

function in both production and distribution. It will be recalled that, wherever feasible, consumer co-operation reaches back into the fields of wholesaling, processing, and manufacturing. Since ownership and control of the latter enterprises rests ultimately with the member societies, they are properly a part of the consumer movement.

*Credit unions* are the financial and banking aspect of consumer co-operation. They serve their members, first, as deposit and savings banks for surplus funds, on which a nominal return is paid; and, second, as a source of personal loans, granted to members under simple rules and at a low rate of interest. Surplus earnings are periodically rebated to members on an equal share basis. Membership in each credit society is usually limited to the members of some large industrial concern, labor union, government agency, church, educational, or other organized group.

Initiated in Germany in 1849, credit unions spread rapidly to other countries, but did not appear in this country until 1909. Although organized and managed by their own members, they operate in the United States under special State or Federal legislation. Since 1909 their growth here has been remarkable, more than 10,000 credit unions doing business at present under their respective charters. Membership is in the neighborhood of 2,000,000 persons. The extremely favorable financial record of the credit unions indicates the continuance of their rapid growth.

*Producers' co-operatives* are associations of either industrial workers or farmers who, by pooling their skills and equipment, produce goods (or services) for sale and share the income on some agreed basis. Producers' co-operatives are to be found in farming communities, coal mines, canneries, cigar factories, and the like. If such groups were to prevail over any large part of the economy, the result would be something like guild socialism. But producers' co-opera-

tives, except in agriculture, have made little headway in the United States and make only a modest showing in European countries.

The outstanding advance in this field appears to be the Chinese Industrial Co-operatives, thousands of which have sprung up in the interior of China during recent years to supply goods for both civilian and military needs. Because of the peculiar conditions obtaining in that country—notably its backward industrial status, paucity of capital, and lack of skills—it is not unlikely that a multitude of producers' co-operatives will continue to provide the industrial backbone of the national economy.

In some cases both here and abroad, consumer societies have themselves set up industrial plants and engaged in the production of goods for which they had a large and continuing demand. It was in this manner that the Swedish consumer co-operatives successfully dissolved the long-standing private monopolies in flour, margarine, overshoes, and electric light bulbs. But except when functioning in this manner as a consumer-owned enterprise, producers' societies are not considered "true" co-operatives, since their emphasis is on profit-sharing production rather than on the advantage of the consumer.

*Marketing co-operatives* are societies organized chiefly by farmers and ranchers for the purpose of collaborating in the growing, shipping, and marketing of their products. These co-operatives flourish among vegetable, fruit, grain, cotton, and tobacco growers, among dairy and poultry producers, and in the form of livestock-shipping associations. Primarily they co-operate to eliminate the distribution costs of the middleman and the commission merchant. In point of dollar volume, marketing associations of this kind contribute the largest share of total co-operative business in the United States. Like the producer co-operatives, however, they are

not considered "true" co-operatives, since their guiding purpose is to obtain maximum profits for their products—which may or may not benefit the consumer. Though doubtless serving their own members well, marketing associations have shown a tendency toward monopolistic practices, and have been active in securing subsidies or tariff legislation to protect their markets.

Frequently such associations are converted into general, all-purpose co-operatives that not only produce and sell their goods on a collective basis, but also buy the seed, fuel, fertilizer, machinery, and other goods needed by them as consumers. Both Federal and State agricultural agencies have lent impetus and encouragement to such associations.

*Self-help co-operatives*, a spontaneous outgrowth of the depression years in the United States, are associations of unemployed families who, by means of barter, salvage, and other small-scale production activities, derive an income which is distributed among the members in the form of cash, commodities, or services. Self-help units sprang up throughout the country, beginning in 1931, as the alternative to acceptance of public or private relief by their members. By 1934 more than three hundred units were in operation, chiefly on the West Coast. The movement was popularized by Upton Sinclair in his "Epic Plan" campaign for governor of California in that year. With the inauguration of a broad work-relief program by the Federal government, however, most of the self-help co-operatives disbanded.

#### EXTENT OF THE CO-OPERATIVE MOVEMENT

By the outbreak of war in 1939 the co-operative movement had become firmly established in forty-three countries. The total membership was estimated at approximately

130,000,000 persons,<sup>2</sup> belonging to some 300,000 co-operative societies of all types. Almost half the membership was accounted for by consumers' societies, about twenty per cent were among farm producers and distributors, and fifteen per cent in credit unions. The figures given do not include the impressive totals of co-operative enterprise in the Soviet Union, where it forms a large part of the total activity, but where the close integration of co-operative societies with the socialized economy makes their function somewhat different from that of similar societies operating elsewhere. The coming of fascism to Italy and Germany brought an end to the flourishing co-operative movements in both those countries. In Japan, under the inspired leadership of Kagawa, co-operation had grown into a vital religious as well as economic force, only to be "co-ordinated" within the state structure in recent years as a part of war totalitarianism.

In the United States, co-operatives have shown a fairly substantial growth through the years, but even now they represent only a small percentage of the total economic activity. The number of consumer societies—including credit unions and service associations—exceeds 25,000; the total membership of these is in the neighborhood of 6,000,000. The amount of business handled in the last full year (1942) has not been accurately computed, but a reliable estimate puts it at \$700,000,000 for all consumer associations.

Agricultural purchasing and marketing co-operatives comprise a separate category. Associations in this group number over 10,000, with a membership of some 3,500,000 persons, principally in the North Central and West Coast states. The dollar volume of marketing by these groups

<sup>2</sup>Some allowance should be made in this figure for duplication, since one person may belong to two or more societies of different types.

annually exceeds more than \$1,500,000,000. Purchases of such products as feeds, fertilizer, seeds, petroleum, etc., on a co-operative basis have averaged about \$400,000,000 a year.

In several countries—Finland, Switzerland, Sweden, Great Britain, Belgium, and Denmark—co-operative retail stores normally handle at least ten per cent of total retail trade; for Finland the figure is about thirty per cent. Although all co-operatives are by no means equally successful, in the aggregate large sums are returned to their membership each year in the form of earnings refunds.

In most countries central co-operative associations have been organized to unify the programs and objectives of member societies on a geographical or functional basis. In the United States the Co-operative League, with headquarters in Chicago, serves as the central agency to promote the interests of the movement on a national scale. The International Co-operative Alliance, with headquarters in London, was established in 1895, and now constitutes a federation to which the national societies of some forty countries are affiliated.

#### Two Views of the Co-operative Movement

Two main points of view persist with regard to the long-range aims of the co-operative movement. The more conservative co-operators are content to keep their movement permanently within the boundaries of capitalism. Their objectives begin and end with the effort to improve the standard of living, especially among low-income groups. According to this point of view, co-operatives are ready to enter only those fields in which distribution costs are excessive, where private business is unwilling to assume the risk, or where competition is needed to curb monopoly.

The second view is more ambitious. It foresees the even-

tual realization of a "co-operative commonwealth" in which non-profit enterprise will have gradually supplanted private business in every field, from the extraction of raw materials to the sale of finished goods. Government ownership would in this case be extended to such projects as transportation, communication, and power production, which are not amenable to co-operative control. In such a society, the motivation of economic activity would be shifted from the quest for profits to the satisfying of needs. Economic co-operation would, it is believed, breed social harmony, just as private gain breeds the discords arising from exploitation. The principles of democracy could under such circumstances be more fully realized than heretofore has been possible. In this view the end result of co-operation is not only a sounder economy but a better society.

The co-operative movement appeals strongly to those who are convinced of the need for comprehensive social change, yet are unwilling to accept the methods and consequences of drastic action. Particularly in this country the movement has gained the active support of the members of important religious groups who, like many others, see in co-operation a "middle way" between the extremes of capitalism and communism.

## Italian Fascism

Fascism, now and always, believes in holiness and in heroism; that is to say, in actions influenced by no economic motive, direct or indirect.

—BENITO MUSSOLINI

FASCISM<sup>1</sup>, in both its Italian (now dissolved) and German forms, is distinguished first of all by a set of principles and values which are directly opposed to those we have heretofore encountered. For, despite the inexorable struggle between the varieties of individualism and socialism, it is possible to discern in them all a broad community of aims and purposes which has been obscured mainly by the wide differences in the institutional forms they fostered. But, as each in its turn is equally the inheritor of the liberal-democratic tradition, so they can find agreement upon a certain "hard core" of that tradition: a rational outlook, and a devotion to the idea of human progress; a belief in the dignity and sanctity of human life; a warm faith in the capacity of all men for infinite betterment; tolerance for cultural diversity; reliance on popular government, and the responsibility of rulers to their people; freedom equally to profess and to criticize; the beneficence of universal education; impartial justice in accordance with the rule of law; and a belief in the desirability of international peace. It was the impact of

<sup>1</sup>The name is derived from *fascio*, meaning a group or bundle. In the shape of a bundle of rods tied together with a battle-ax in the center, the symbol is indicative of strength in unity, as contrasted with the weakness of each separate piece. In Roman history the symbol was used to represent the authority of the *lictors*.

the Industrial Revolution, more than any other circumstance, that brought the individualist and socialist into sharp opposition as to the social framework most conducive to these principles. Except for extremists in both camps, the underlying aims of both doctrines remain unchanged, and it would be irrelevant to doubt the good faith of either.

### THE NATURE OF FASCIST PHILOSOPHY

It must be understood that the character of fascism has been largely predetermined by the forces it opposed in its struggle for power, and the discontented groups from which it drew its membership; so that the fascist philosophy, while derived from a variety of sources, was for the most part formulated after the success of the movement in Italy. Most of all, fascism declares itself relentlessly opposed to every element of the liberal-democratic faith. As against the belief in human equality and the popular control of government, fascism affirms the "immutable, beneficial, and fruitful inequality" of classes, and the right of a self-constituted elite to rule. The fascist state makes no pretense of utilizing universal suffrage; in place of the parliamentary system with its cross-currents of public opinion, it projects a political structure whose keynote is absolute authority, "quick, sure, unanimous." Action, not talk, is the slogan of the movement.

In the sphere of individual freedom this contrast is most acute. In fascist theory, freedom is a monopoly of the state, and may be exercised by individuals only when it accords with approved purposes. To put it otherwise: freedom, instead of being an inherent right of the individual (as liberals would have it), is a qualified grant by the state, for the period of good behavior. Fascists maintain that, since the state speaks for a unified people, opposition to its will is a criminal offense and not to be tolerated.

The center of reference is at all times the welfare of the state, a mystical entity embodying the national will, to which other interests must be subordinate. Contrary to the liberal notion, fascism declares that the individual exists for the state, not the state for the individual. As an isolated unit, man is held to be without significance; it is only when he acts as part of the collective whole that his efforts take on meaning. Humanity in the mass is never capable of rising above the level of its immediate selfish and ignoble wants; it is capable of high destiny only when it submits itself to the leadership of those "rare great minds" which alone have the genius to shape history.

#### SOURCES OF FASCIST THEORY

For its attack upon liberalism and its exaltation of the national state, fascist philosophy has drawn heavily upon the writings of the German philosopher Hegel. But the mystical and irrational temper which so thoroughly pervades its character is directly traceable to the nineteenth-century philosophers, Schopenhauer, Nietzsche, and Bergson. As opposed to the dependence upon reason and logic that lie at the base of liberalism, fascism counterposes the drive of irrational forces, intuitive aspirations, heroic instincts, an irresistible will, and an inescapable sense of mission. Truth is not objective and universal; it is an aspect of self, that which is felt and willed to be so.

Fascists claim for their doctrine an idealistic and spiritual base, as opposed to the "gross materialism" of the democratic states. "Fascism," Mussolini declared, "is a religious conception in which man is seen in immanent relation to a higher law, an objective Will, that transcends the particular individual and raises him to conscious membership in a spiritual society."

From Sorel, whose doctrines had an early influence on Mussolini, fascism has adopted the idea of the "myth," an emotional image or ideal goal which has the power to evoke a strong emotional response among the masses. As a theorist of revolutionary syndicalism, Sorel originated the myth of the general strike as a proletarian instrument of salvation; Mussolini made his myth the idea of the state.<sup>2</sup> From Sorel, as no doubt from others as well, Mussolini borrowed the rationale of violence and the justification of force which is inherent in the possession of power itself and is vindicated by the very fact of the purposes which inspire it.

### OPPOSITION TO SOCIALISM

With at least equal vigor fascism has launched its attack upon the whole apparatus of socialism—which, in fact, it stigmatizes as the logical outcome of democracy. In contrast to the economic well-being aimed at by socialists, fascists emphasize the heroic virtues of discipline and sacrifice. The role of economic forces in shaping the relations of society is categorically denied, as is the Marxian doctrine of the class struggle. To the fascist the state is emphatically not what Marx believed—an instrument of ruling class domination—but rather the highest expression of national unity. Instead of "withering away," the state is expected ultimately to include the totality of human effort. Moreover, where socialists preach a creed of internationalism, fascist loyalties stop at the national borders. Far from providing that the economy should be converted to public ownership and operated with a service motive instead of for

"The reader who finds this kind of abstraction difficult to grasp may obtain some comfort from the following statement by Mussolini:

"We have created our myth. . . . It is not necessary that it shall be a reality. It is a reality by the fact that it is a goad, that it is hope, that it is faith, that it is courage."

profit, fascism prefers to put its faith in the efficacy of private ownership under the exacting guidance of the state.

### How FASCISM CAME TO POWER

Fascism came to Italy as a consequence of the disillusionment, economic collapse, and parliamentary stalemate that followed the close of war in 1918. There was deep resentment at the small gains derived from Allied victory—a resentment that was heightened rather than assuaged by D'Annunzio's bold seizure of Fiume in violation of the peace treaties. Meanwhile the economy proved unable to convert its energies from war-time to normal production; business lagged, inflation threatened more and more to bankrupt the country, and there seemed no possibility of absorbing into productive enterprise the large numbers of returning soldiers. The Italian government, split into numerous dissident factions, was powerless to solve the deepening crisis, or even to agree upon positive measures.

The 1919 elections established the Socialist party as the largest in the Italian parliament, and a year later as the major influence in local government as well. But in the meantime a wave of strikes and seizure of industrial plants was engineered by syndicalist and communist workers in northern and central Italy. Despite a peaceful settlement of these disputes, sporadic violence broke out in late 1920; subsequently the disorders grew into a systematic campaign by squads of the newly formed *fasci di combattimento* to destroy "bolshevism" in Italy. The term was broadly interpreted by the fascist leadership, so that, over a period of two years, armed bands succeeded, through personal assault, intimidation, and destruction of property, in wiping out much of the effect of the socialist, communist, co-operative, and Masonic movements in Italy.

The first units of the *fasci* were formed by Benito Mussolini in 1919 on the basis of a program ostensibly liberal and socialist in character: parliamentary reform, universal suffrage, abolition of titles of nobility, the eight-hour day, heavy inheritance levies, workers' participation in management, and so on. Membership in the units grew rapidly, drawn at first from among radical workers but increasingly from other sections of the population, to whom the promise of direct action was pre-eminent: demobilized army officers, adventurous but disillusioned youth, dispossessed small owners, and the embittered ranks of the unemployed.

The course of the movement was devious and opportunistic, reflecting Mussolini's abrupt shifts in policy. The 1919 program was itself a reversal of his earlier faith in revolutionary socialism; a year later he warmly supported the workers in their seizure of factories, and announced his aim as that of anarchism; but by the following year he had assumed an anti-socialist position in the parliamentary elections, meanwhile offering the services of his organization to the conservatives. From landowners and industrial magnates, fearful of proletarian revolt, Mussolini now received for his party financial and political support. Armed fascist bands quickly suppressed the general strike that broke out in 1922. Two months later, as governmental authority continued to decline, Mussolini announced that his forces would march on Rome. Thereupon the King, rejecting a demand for martial law, capitulated and appointed Mussolini Prime Minister.

For a time the Fascist party ruled with a coalition cabinet of liberals, rightists, and clericals, observing the amenities of parliamentary government; but by a process of intimidation, repression, and open violence Mussolini succeeded by 1926 in emerging as the unchallenged dictator of the Italian state. With opposition parties suppressed, the regime pro-

ceeded to reorganize political, economic, and educational agencies along fascist lines, and to institute a program of intensive rearmament and public construction.

### THE FASCIST STATE

The key to an understanding of fascism lies in its conception of the state as a dominant, all-inclusive organism, which gives direction to every form of national existence. As opposed to liberal-democratic theory, in which the state owes its creation to popular sovereignty, fascism conceives a state that is itself the source of all power and to which individuals and groups are wholly subordinate.

The fascist state is described as an absolute, to which all other things are relative. Mussolini defined it as at once a material entity and a spiritual force, superior to any interest within it, the permanent custodian of the glories of the past and the promise of the future. The fascist state is the supreme truth, the basis of morality, and the criterion of social values. It claims a monopoly of national effort, demanding the undivided loyalty of its subjects. As Mussolini summed it up, "Everything within the state, nothing outside the state, nothing against the state." In this fact lies its totalitarian nature: it comprehends every aspect of human life and controls them all for its avowed purposes. In the words of a recent writer, the fascist state claims to be "omnipotent, omnipresent, and omnicompetent." And again, as Mussolini said, "It is the state that educates its citizens in civic virtue, gives them a consciousness of their mission, and welds them into unity, harmonizing their various interests through justice, and transmitting to future generations the mental conquests of science, of art, of law, and the solidarity of humanity. It leads men from primitive tribal life to that highest expression of human power which is empire. . . ."

## THE FASCIST PARTY

In theory, the fascist state is a mystical sort of higher law in process of unfolding. Necessarily life must be given to the abstraction; the practical tasks of government require concrete forms. In Italy the power to do this rested with the Fascist party, a small selective elite, or ruling class, of which Mussolini was (until the collapse of his regime in 1943) the moving spirit. The Fascist party was not only the single legal political agency but, unlike the Communist party in the Soviet Union, the official arm of the Italian government. So far as policy-making was concerned, the party was the state.

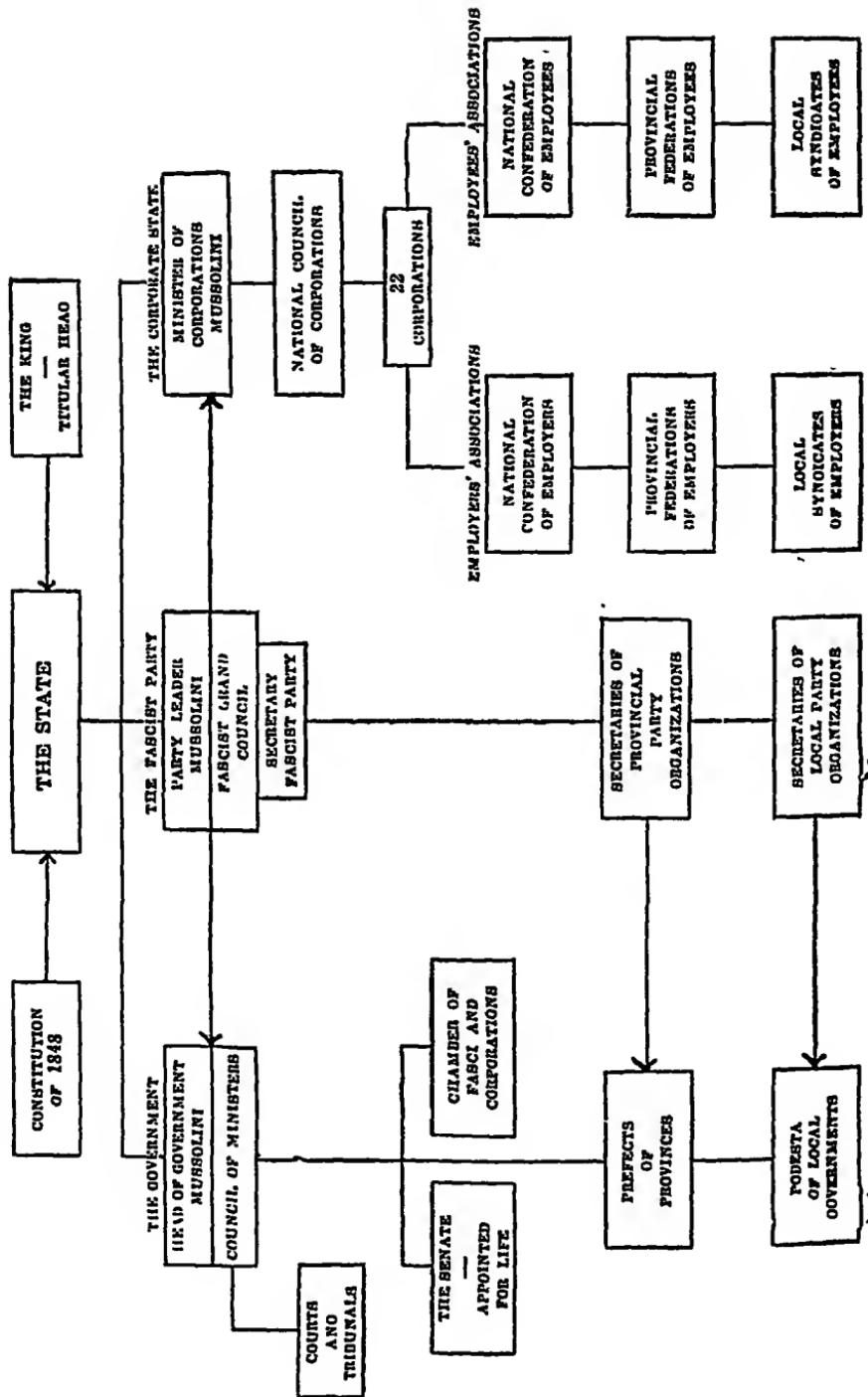
The Fascist party was a close-knit, highly disciplined unit, organized along military lines and pledged to unquestioning obedience to its leader. To it were entrusted the functions of co-ordinating every activity, social, political, and economic, within the scope of the state. Its organization was made to extend into every level of provincial and local as well as national government, so that under the principle of hierarchy, with decisions formulated at the top and transmitted to all agencies below, it was possible to secure complete uniformity of policy.

Membership in the party was not allowed to exceed a number commensurate with the optimum size of a governing class. New candidates were drawn, after passing rigid examinations, from the ranks of the fascist youth organization. A separate fascist militia, the Blackshirts, was maintained as a special adjunct of the party, distinct from the regular army and subject to the orders of the Fascist leadership.

## THE STRUCTURE OF GOVERNMENT

The structure of the Italian government under the Fascist regime resembled a pyramid, with power descending from

# THE GOVERNMENT OF FASCIST ITALY



the top.<sup>3</sup> At the apex stood Mussolini, *Il Duce del Governo*, "Head of the Government" and of the Fascist party. A cabinet of some fourteen ministers, supervising the various functions of government, was selected by the Duce and approved by the King; from three to eight of these posts were commonly held by Mussolini himself. Most strategic among governing bodies was the Grand Council, directorate of the Fascist party, of which Mussolini was president; all its members were chosen by him. Upon the Grand Council devolved the duties of assisting the Duce upon matters of government, co-ordinating party activities, appointing provincial officials, and (in effect) selecting Mussolini's successor.

Fascist legislation appeared in the form of decrees issued by the head of the government or of measures formulated in conjunction with the ministers and the Grand Council. The Italian parliament consisted of two houses, a Senate whose members were appointed for life, and a Chamber of Faschi and Corporations. The latter had replaced the earlier Chamber of Deputies, which in parliamentary times had been elected under a qualified suffrage. The new Chamber was made up of appointive officials selected from the Fascist party, the National Council of Corporations, and the employer and employee confederations—thus providing a degree of functional representation. Neither house was permitted to initiate legislation, but both were empowered to approve certain categories of measures presented to them.

In general the government was highly centralized at Rome, with appointed officials administering national policy in the communities and provinces. The judicial system was

<sup>3</sup>Technically the liberally conceived Constitution of 1848 remained in force during the Fascist regime, but its provisions were largely suspended. The Italian King, Victor Emmanuel III, remained the acknowledged head of the state, but the powers of governing gravitated entirely to Mussolini.

consolidated under a minister of justice and, like the legislative branch, exerted no check upon the executive power.

### THE CORPORATIVE SYSTEM

The fascist economy in Italy attempted to establish a working compromise between private capitalism and the requirements of the totalitarian state. A statement of this relationship was provided in the Labor Charter of 1927, which provided that "the corporate state considers that private enterprise in the sphere of production is the most effective and useful instrument in the interest of the nation. In view of the fact that private organization of production is a function of national concern, the organizer of the enterprise is responsible to the state for the direction given to production." Thus private enterprise was encouraged and protected, but its operation was bound up in a network of restrictions and regulations. The government was empowered, at its discretion, to expand or to limit production of any goods, to set wages, fix prices, define conditions of employment and dismissal, authorize or prevent new undertakings, subsidize existing enterprises or operate its own. In such fields as credit, shipping, mining, and the production of war materials, private ownership was largely supplanted by state ownership. Although the profit motive remained as the incentive to production, the right of enterprisers to make independent decisions regarding the use of their capital—a vital feature of capitalism—was severely curtailed.

True to its totalitarian concept the fascist Italian state refused to concede the existence of opposed economic or class interests. Industrial disputes in the form of strikes or lockouts were expressly forbidden. Under conditions stipulated in the Charter of Labor, the state arranged to enforce the collaboration of employers and workers by fixing the

status of both within a legal framework, with the government installed as final arbiter. The conduct of an enterprise was left to the owner; workers were enjoined to co-operate with management in the problems of production. Complaints by either group were subject to conciliation or settlement in labor courts presided over by Fascist party officials.

In place of independent unions and trade associations, a corporative system, closely linked with the government, had been devised. Two main structures could be distinguished. First, there was a series of industrial councils in which employers and employees were organized separately, by industries. Local associations (syndicates) of each group were represented in regional federations, and these again in national confederations. The major task of these bodies was to prepare and administer collective labor contracts for their branches of industry. Such contracts were usually drafted to apply to a large area or to the whole nation.

In addition to this structure, the major industries of the nation were organized into twenty-two "corporations," under direct governmental control. Councils for each of the corporations were made up of members representing employers, employees, and the Fascist party. All processes of economic activity—production, distribution, banking, labor relations, foreign trade, etc.—were under the supervision of a ministry of corporations, a department of the national government.

The entire corporative system was put under Fascist party control. Except in the syndical associations, where a measure of self-government prevailed, officials were directly appointed by the government. It was by means of this control that the supremacy of the state over economic life was actually achieved.

### SOCIAL SECURITY

Social-security provisions, narrow in scope, were administered in part by the government, in part by mutual societies. Unemployment insurance on a contributory basis was compulsory for lower-grade workers. A broad program of public works had been carried on for some years to reclaim marshland, construct roads, and provide other improvements. In accordance with a policy of population increase, special benefits in the form of maternal welfare, bonuses, and tax reductions were granted for large families.

The *Dopolavoro* served as an organization for the recreational and cultural advancement of workers. It was administered by the Fascist party and supported with funds contributed by employees, syndicates, and public agencies.

### FASCIST EDUCATION

The essential purpose of the educational system was to instill in Italian youth a devotion to the principles of fascism. The curriculum accordingly stressed the virtues of courage, duty, and discipline as more desirable than the search for objective knowledge. A large share of the educational program was devoted to military and physical training. Students were enrolled in semi-military groups from the age of four upward, and it was from these that members of the Fascist party and the national militia were recruited.

Public instruction of all types was basically propagandist. The press, radio, stage, and screen were all enlisted in the same undertaking—that of molding public opinion for the furtherance of national aims.

### FASCISM AND RELIGION

Almost immediately upon the inauguration of the fascist regime it became evident that fundamental conflicts were

implicit in the relations between fascism and the Catholic Church. In its very nature, the totalitarian state precluded the sharing of allegiance with any other institution. Moreover, in stressing the worth of human personality, the Church clashed directly with fascism's insistence upon its own morality, by the exercise of which the individual became submerged in the collective scheme.

As a result of the Lateran Accord of 1929, these differences nominally were resolved. Fascism instituted religious instruction as part of the public school curriculum, but reserved the training of youth exclusively as a province of the state. No religious organization was permitted to exercise functions performed by the state or external to its purposes.

By a series of anti-Semitic decrees issued in 1938, Jews were placed under various disabilities and a large number expelled from the country.

#### FOREIGN POLICY

A spirit of intense national patriotism and a passion for imperial greatness pervaded the fascist outlook in Italy from the beginning to the end of the movement. For Mussolini all nations were exclusively competitive units, urged on by motives of self-interest, and it was inconceivable to him in the light of fascism's own will-to-power that any existing international status should be accepted as permanent, or that a strong nation should forego expansion out of regard for weaker neighbors.

The search for peace, then, was regarded as not only futile but debilitating. War was exalted as the highest destiny of mankind, the surest evidence of a nation's vitality. Yet, in practice, fascist policy was entirely pragmatic in utilizing the circumstances of both peace and war for the furtherance of Italian interests. Ignoring ideological con-

siderations, Mussolini at the Stresa Conference in 1934 joined forces with the Western powers against Hitler's Germany; later in the year Italian forces were mobilized along the Austrian frontier when the Nazis threatened to seize that country. But in 1935, when League sanctions were temporarily applied during Italy's conquest of Ethiopia, Mussolini was driven into a policy of collaboration with Hitler. This, deepened by joint intervention in the Spanish Civil War, 1936-39, and by the Munich Agreement of 1938, eventuated in a full military alliance in May, 1939. The aggressive character of both Italian and German fascism was evidenced by a rising tempo of intimidation and aggression which resulted in the outbreak of the Second World War in September, 1939.

Although Mussolini had earlier expressed the view that "Italian fascism is not an article of export," fascist doctrines and parties soon spread to other countries. In various forms they have represented both native and international revolts against democratic and socialist movements.

## CHAPTER 18

### Nazism

(German Fascism)

Man, proud man! dressed in a little brief authority, plays such fantastic tricks before high heaven as make the angels weep.

—SHAKESPEARE

THE German state since 1933 has been designated the Third Reich. History records the inauguration of the First Reich in 1871, when for the first time the numerous small German principalities agreed to unite as a single state under the leadership of Prussia. Despite its formal structure as a constitutional monarchy, the powers of government were concentrated in the hands of the Kaiser. With Bismarck as Chancellor until 1890, the German Empire forged ahead rapidly to a leading position in industrial and political affairs. Occasional concessions to the persistent liberal and socialist movements within the country failed to effect any significant change in national policy. The government of the First Reich remained, at best, benevolently autocratic.

More perhaps than in any other nation, Germans had kept alive and fostered the ambition for world dominion through military conquest—a tradition that permeated German literature through many generations, and found concrete application in the careers of such national heroes as Frederick the Great and Bismarck. In German philosophy the mystical and transcendental element has been inordinately strong; this was readily fused in the writings of Hegel

and Fichte into an idealization of the nation-state as the organic force through which the German destiny would be realized. In the face of the predominant Prussian military tradition and the almost feudal organization of social classes, the liberal and cosmopolitan message of Goethe, Schiller, Heine, and others represented only a minority intellectual influence.

### EMERGENCE OF THE SECOND REICH

Defeat of the German field armies in 1918 projected an internal crisis within the country that persisted in spite of the last-minute constitutional reforms granted by the Kaiser. Local revolts, mutinies, and general strikes spread rapidly among the population; under the leadership of the independent (radical wing) socialists, councils of workers and soldiers, analogous to the Russian soviets of 1917, sprang up to seize the political reins. But the sudden revolutionary crisis found German socialism fatally split between opposed factions—the independent Spartacists who, like the Russian Bolsheviks, wanted a working-class dictatorship with an immediate socialization of economic agencies; and the moderate Social Democrats, who called for free elections, a parliamentary regime, and gradual economic reform. While a provisional socialist government sought to restore order, a bloody struggle broke out between the two parties. With the assassination of its leaders, Karl Liebnecht and Rosa Luxemburg, the Spartacist movement collapsed, and the Social Democratic policy prevailed. Delegates to a constitutional convention were elected in January, 1919. The product of their work, the Weimar Constitution, gave to the German people a fundamental law strikingly similar to that of the United States in its political provisions—popular

sovereignty, a bill of rights, universal suffrage, representative government, a popularly elected President, an independent judiciary, and a system of checks and balances—but including economic provisions clearly aiming at a form of democratic collectivism, with functional self-government and a progressively socialized industrial structure. Property ownership, in any event, was invested with a legal obligation to "serve the public welfare," although at the same time no private property could be acquired for public use except by authority of law and payment of just compensation.

The Weimar Republic, under Social Democratic auspices, may be seen as a conscious attempt to invoke gradualistic methods to attain ultimate socialism. Despite formidable difficulties, the regime successfully weathered the post-war crisis, restored the national economy, and led the German state back into the community of nations. But in the long run the internal problems of the government proved to be insurmountable. Reformist legislation clashed with tenacious property rights, with monarchist survivals, and with religious conservatism; the government veered alternately from left to right, satisfying neither group and alienating both. In spite of substantial foreign aid, the nation staggered under the burdens of post-war reconstruction, a condition aggravated by loss of its vital resources. Over the whole experiment hung the oppressive atmosphere of defeatism, of which the Versailles Treaty was the bitter symbol. With German industry operating on "borrowed prosperity," the onset of the world-wide depression in 1930 shattered whatever hope remained of normal recovery. The temper of the nation was no longer tolerant of gradual reform. A radical transference of political power was unavoidable.

## RISE OF THE NATIONAL SOCIALIST PARTY

Opposition to the vacillating policy of the Social Democrats was at first reflected in the growth of the German Communist party, which drew upon labor and radical sentiment to harvest a vote of over 3,000,000 in the 1928 Reichstag elections, increasing this figure to 4,500,000 in 1930.<sup>1</sup> But an equal tendency to extremism on the right was at work in the emergence of Adolf Hitler's National Socialist party. The Nazi<sup>2</sup> program was vague and diffusive, but it did succeed in channeling a variety of fears, discontents, and generalized yearnings into an organized opposition to the government and the proletarian parties. Its support came chiefly from these broad groups: large and small business enterprisers, the distressed middle-class and "white collar" workers, disgruntled farmers, and the youthful unemployed. Generous financial backing was furnished by industrial and financial leaders, notably Krupp and Thyssen, who shrewdly expected from the movement not only the eradication of the communist threat but the promise of large profits through rearmament.

Although the Nazi program contained many promises of a socialist nature, it was above all couched in terms of fervid nationalism. Campaign appeals were chiefly negative and emotional in character: denunciation of the Versailles Treaty, destruction of international Marxism, eradication of the Jews, attacks upon the Republic and upon all democratic institutions. Details of armed Nazi Storm Troopers played an important part in the elections of 1930 and 1932.

With the onset of the depression in 1930 the Nazi tide

<sup>1</sup>At the last free election in Germany in 1933, the Communist party vote reached a peak of 5,980,000.

<sup>2</sup>A contraction of the name *Nationalsozialistische Deutsche Arbeiterpartei* (National Socialist German Workers' Party).

swelled; two years later the National Socialists had become the largest party in the Reichstag; and on January 30, 1933, Hitler was called to the Chancellorship by President Hindenburg. Since even a special election, called by Hitler in March and conducted with the most flagrant intimidation and fraud, yielded the Nazis only 44 per cent of the vote, a coalition cabinet was formed with the Nationalist Party.

On March 24, 1933, at Hitler's demand, the Reichstag passed an Enabling Act providing that "national laws can be enacted by the national cabinet as well as in accordance with the procedure established in the Constitution." By this method both legislative and executive power passed to Hitler. Following the death of Hindenburg in August, 1934, the post of President was combined with that of Chancellor, and both vested in the person of Adolf Hitler. Even before this, all opposition parties had been dissolved, trade unions outlawed, personal liberties abolished, and the nation reorganized under authoritarian rule. Under these circumstances Germany entered the Third Reich.

### THE TOTALITARIAN STATE

Like Italy under Mussolini, the Nazi state is a totalitarian unit. Every phase of the individual and collective life is "co-ordinated" within a single scheme, animated by a single purpose, and subjected to a single will—that of the *Fuehrer* (leader). In the government, authority is imposed from the top, with obedience acknowledged from below. Economic interests are subordinated to political ends. Public opinion is shaped in the official mold, and even the findings of science must conform to approved doctrine. The state as an organic unity stands above all institutions within it; to it is confined the "timeless destiny" of the German people.

## THE LEADER PRINCIPLE AND THE NAZI PARTY

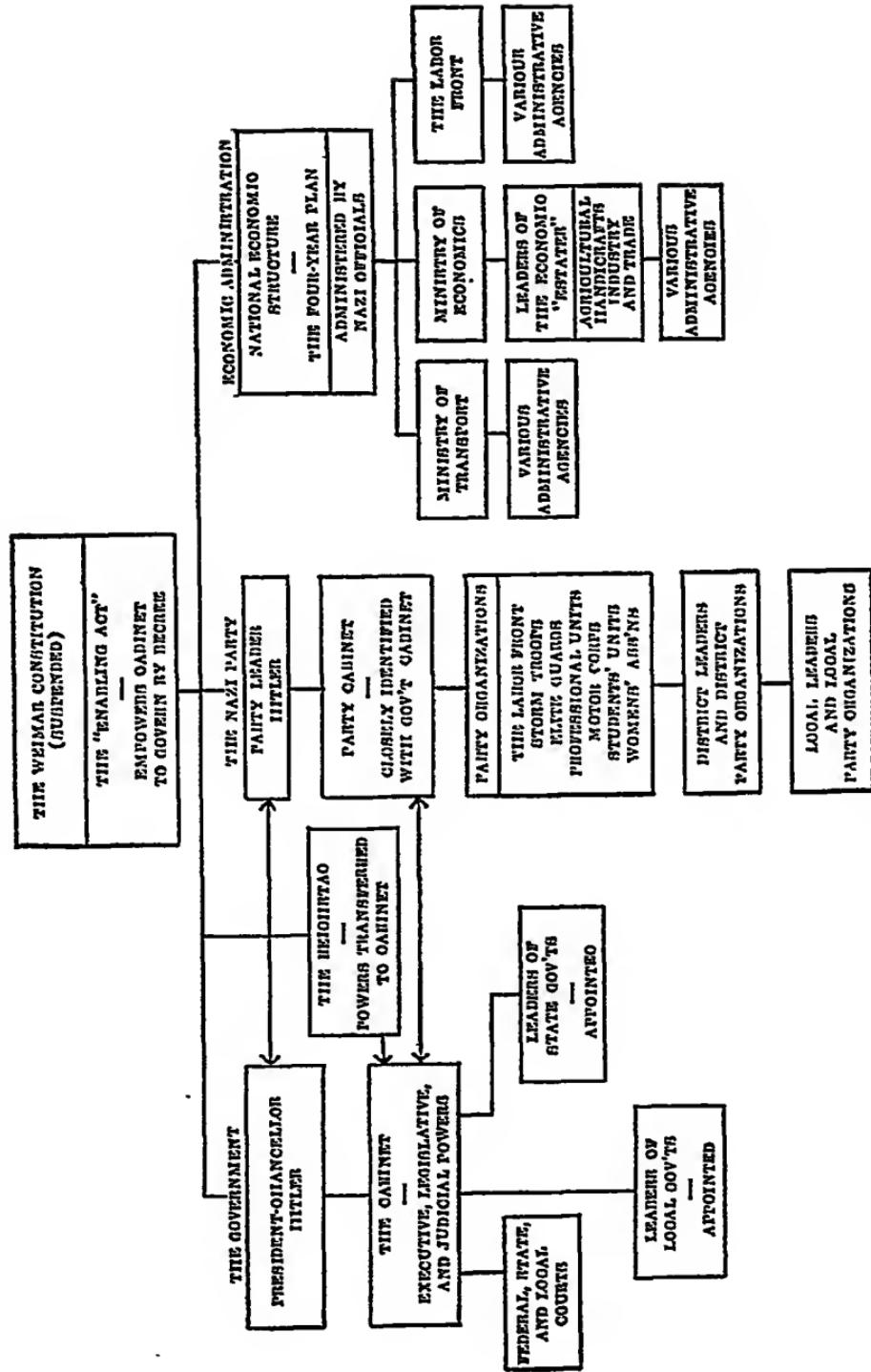
Control of the entire social structure is effected through the "leadership principle." The leaders, exclusively members of the Nazi party, constitute a small, select ruling class, responsible only to their superiors. All others, in every function of national life, are followers, from whom loyalty and obedience are expected. All are to be trained in the principles of National Socialism, the most promising candidates will become members of the party, and from among these are selected the leaders of the state.

The processes of governing are a monopoly of the leader class, responding to the will of the supreme Fuehrer. A complex administrative machine, reaching into every function of the national life, is maintained by the Nazi party. Constituent bodies, such as the uniformed Storm Troopers and Elite Guards, together with affiliated groups of a professional and occupational nature, enforce the co-ordination program of the party in their respective fields. Authority extends, in all cases, from above; obedience flows upward.

The Nazi party must be regarded as more than a mere political body. It is an integral part of the state, the bearer of the Germanic tradition, and the axis about which the national life revolves.

The structure of government is highly centralized. Ultimate power of decision rests with the supreme Leader and is delegated through Nazi party channels to every administrative position (as indicated on chart, page 199). Laws are issued in the form of decrees by the Fuehrer, through the instrumentality of his cabinet. Government is by executive and administrative order alone; no legislative or judicial check exists. The various political subdivisions, the former German states, as well as the municipalities, are administered

# THE GOVERNMENT OF NAZI GERMANY



by officials appointed by and responsible only to the national government.

A revised judicial system, in which the principle of state expediency overrules that of impartial justice, has been established on a uniform basis for the courts of the nation.

### ECONOMIC ORGANIZATION

The word "Socialism" as a part of the name "National Socialism" is misleading. A more accurate designation of both the fascist Italian and the German economies would be "State Capitalism"<sup>3</sup>—indicating privately owned, profit-motivated enterprise, operating under rigid state control. But, in contrast with the newly developed state intervention in other countries, the German practice is the continuance of a long-standing tradition. German capitalism even during the nineteenth century was never of the *laissez-faire* variety. Both in theory and in practice business enterprise was kept subordinate to governmental and military policy. In continuing this tradition, the Nazis have established the most comprehensive form of what has been termed a "permanent war economy"—so that, in time of actual war, its processes need only to be intensified, not converted.

Needless to say, the dominant feature of this German economy is the strict supervision of every process by state agencies. Although industry remains for the most part in private hands, its conduct is shaped by the prior demands of national policy. Over all branches of enterprise is set the administrative structure of the Nazi party, through which co-ordination of policy and satisfaction of performance are secured.

But within this official framework there prevails an economic version of the leadership principle. The owner or

<sup>3</sup>See the definition of this term in Chapter 5.

manager of an enterprise is designated as the leader, with his employees classified as followers. Both are expected to discharge their respective duties faithfully and to submerge their conflicting demands in the national interest. Upon the businessman as leader rests the proper conduct of his enterprise. Within established limits he determines the use of his capital, schedule of wages and hours of work, conditions of employment, rules of discipline, and so on. Employers' associations in the various industries co-operate to achieve uniformity of production and labor policies.

The most fundamental change has occurred in the status of labor. Independent trade-union organizations are illegal, the procedure of collective bargaining has been eliminated, and strikes (or lockouts) are forbidden. Workers and employers alike are enrolled in an all-inclusive Labor Front under the administration of the Nazi party. The purpose of the Labor Front is to neutralize the conflicting claims of capital and labor and to divert the struggle of workers for economic improvements into channels of cultural and recreational activity. A limited check upon the powers of the employer-leader is afforded by a system of labor trustees, shop councils, and honor courts, in which the settlement of disputes is guided by the primacy of state interests.

The state reserves the right at all times to intervene in economic matters where issues of national concern are at stake. With this important proviso, National Socialism professes its full confidence in the adequacy of private enterprise. The amount of state ownership of industry is not unduly great, but the requirements of military policy and the struggle for national self-sufficiency have in recent years enormously expanded the scope of governmental control.

It should be recalled that long before the National Socialist regime came to power the German economy had reached a high degree of industrial concentration, exhibit-

its harshest application. Jews are denounced as the most degenerate of races and the apostles of all that Nazism despises: pacifism, internationalism, Christianity, social equalitarianism, communism, international finance, personal freedom, the ideal of human brotherhood, and so forth. From these contaminating influences the Nazi revival has succeeded in rescuing Aryan culture. A policy of systematic liquidation of the Jews in Germany and in the conquered territories has been pursued by the regime since its inception. Of the half million Jews, roughly, who were resident in the country, perhaps one-third have perished, and an equal number have been exiled after being deprived of their property; those remaining have been stripped of all rights and reduced to slave status, or confined in ghettos or concentration camps.

As a corollary to the doctrine of the German blood bond, it is demanded that loyalty to the Fatherland must transcend the allegiance of Germans to any other state in which they reside. Accordingly National Socialist "bunds" have been organized as legal parties or underground organizations, to promote the designs of Nazism in all countries where German nationals have taken up residence.

#### EDUCATION, SCIENCE, AND PROPAGANDA

National Socialism rejects without qualification the moral and ethical values of liberal democracy. In place of these it professes a new ideology based upon racial exclusiveness and the claims of totalitarian life. Education, science, and propaganda lose their distinctions and are fused into a single instrument of national policy, permeating the entire social structure. Public schools, universities, the press, the radio, and the theater are wholly in the service of the state and take their impulses from political needs. Truth is declared

to be an aspect of "race," an intuition of superior "blood" rather than of objective knowledge.

Consistent with the declaration, "who has the youth holds the future of Germany," the state assumes the task of training the child from his earliest years and of molding his behavior throughout adulthood. Boys and girls are enrolled in Hitler Youth groups at the age of ten; primary stress is laid on sports, military training, and the mastery of National Socialist principles. The public-school curriculum continues this emphasis throughout the years of adolescence. Through the medium of the National Socialist Teachers' League, in which instructors of all grades are enrolled, both political loyalty and educational uniformity are assured.

The Ministry of Public Enlightenment and Propaganda, under the direction of Dr. Goebbels, wields broad powers of control over newspapers, literature, radio, theater, and cultural arts, co-ordinating their functions with the requirements of the state.

Any attempt to grasp the essence of Nazism must inevitably return to the fact of its frankly irrational and anti-intellectual character. The Nazi creed is consciously a throwback to a mythology of race and blood, with a concomitant denial of reason, science, and the total cultural aggregate of modern civilization. This "disavowal of the intellect," as it has been called, is augmented by a rejection of the whole body of Christian morality, for which the more heroic virtues of the Teutonic pagan deities have been substituted.

#### FOREIGN POLICY

The implications of Germanic racial supremacy are reflected in an aggressive and expansionist foreign policy. The German "master race," it is affirmed, is inherently destined to rule over others by virtue of its superiority. The natural

state of peoples is seen as that of permanent warfare; pacifism is a sign of national decadence, and peace associations a conspiracy of the weak to undermine the strong. War is exalted as the supreme expression of national greatness, its use as an instrument being guided solely by the demands of the state. Totalitarian warfare reaches its highest refinement in the complete mobilization of the nation's military, economic, and psychological forces.

In response to this dynamic outlook, the character of the German state is that of a disciplined military unit. The scope of German influence is declared to be universal, and the conquest of other peoples, whether by force or coercion, is intended to produce an aggregation of subject states designed to minister to the needs of the National Socialist super-state.

As detailed by Hitler in *Mein Kampf*, the two chief enemies of Germany are decadent France and communist Russia. It was expected that Britain and Italy could be won over to an alliance by appropriate concessions. Effectively utilizing the weapons of diplomacy, coercion, "fifth columns," treachery, the communist bogey, and military force, Hitler had succeeded by 1939 in attaining critical objectives that are now familiar to all: German rearmament, the refortification of the Rhineland, the occupation of Austria, the defeat of the Spanish Loyalists, the conquest of Czechoslovakia, and the seizure of Memel. The alliance with Britain had failed to materialize, but it was replaced by a military pact with Italy and Japan. Hitler's invasion of Poland on September 1, 1939, launched a world war whose outcome alone will decide whether or not "the twentieth century is the century of fascism."

he has no prior claims to individuality, to personal happiness, to self-expression. He is a means to the alleged higher ends of the state, as those ends are interpreted by the ruling elite. All forces in the state tend to be centripetal, making for exclusiveness and pugnacity. In all these respects, though it may be in varying degrees, the similarities among the German, Italian, and Japanese social systems are striking.

But, if it be granted that this is fascism, then it is but the modern version of a pattern that has been native to Japanese life for many generations. The principles of liberal democracy, by which present-day civilization is measured, have never prevailed at any period of the nation's history. In Italy and Germany fascism arose as a reaction to democracy and socialism, but in Japan the people have known no other tradition. During that seminal period of the late Renaissance and the Enlightenment which gave to the Western nations their modern ideas and institutions, the Japanese islands were hermetically sealed off from the rest of the world by decree of the ruling Shoguns. Occasional news of the intellectual revolt transforming the rest of the world did seep in, sometimes through the single Dutch trading post at Nagasaki, or by means of smuggled Chinese translations; but primarily the Japanese nation slumbered through more than two centuries of self-imposed isolation, unaware of the Reformation, the scientific ferment, the Industrial Revolution, the triumph of humanistic thought that was revolutionizing the minds and manners of men. When, at the middle of the nineteenth century, the long slumber came to an end, Japan emerged into the modern world rubbing its eyes like a national Rip Van Winkle.

#### THE HISTORICAL BACKGROUND

Japanese legend traces the history of the nation back some twenty-six hundred years to the accession of the Em-

peror Jimmu who, according to the prevailing mythology, was sent to Japan by his ancestress, the Sun Goddess, to rule over her chosen people. Legend aside, historical records find the origins of the Japanese people in waves of Mongolian and (probably) Malaysian immigrants who crossed the narrow waters from the mainland of East Asia and the stepping stones on the south to the Japanese islands, destroying or subjugating the native Ainu inhabitants. As isolated groups became organized, there arose a military-feudal type of society, whose chief characteristics persevered until recent times, and whose general spirit still dominates Japanese institutions. Early society showed stratification on five class levels: the Daimyos, or great feudal lords, comprising the land-owning aristocracy; the Samurai, a hereditary warrior class, bound to their lords by the closest ties of allegiance, and themselves holding life and death power over their inferiors. These two classes represented the elite. Below them were three groups of commoners, in descending scale: farmers, artisans, and merchants.

The family was, and today still is, preeminently the basis of Japanese social organization; true to its feudal character, family groups were from the first bound to the service of some ruling daimyo, or clan chief. Relationships among the clans were marked by almost incessant warfare, and it was not until 1185 that something like a national state emerged under the Minamoto clan, whose leader assumed supreme power as the first Shogun—literally, “barbarian-subduing general.” The Emperor, although the subject of the deepest veneration, was permitted to exercise no material powers. For almost seven hundred years the holders of the Imperial title were relegated to the obscurity of worshipful symbols, while the hereditary Shoguns ruled with unlimited authority. Control was exercised through their Samurai retainers, who served both as warriors and as civil admin-

istrators. Until the "Restoration" of the Emperor in 1868, this rigid military feudalism prevailed over the country, reinforced by a strict code of chivalry which was later to become idealized as *Bushido* (the way of the warrior).

It was during the period 1637 to 1853, under the rule of the Tokugawa Shogunate, that the Japanese islands were wholly shut off from any intercourse with the outside world. The forcible opening of the country to commerce with other nations, at the persuasion of Commodore Perry's naval guns, caused the collapse of the decadent Tokugawas and the emergence of two rival clans who reclaimed the Emperor from retirement. The modern Japanese state came into being in 1868, at which time the clans exchanged their autonomous rule and vast properties for government pensions and positions of authority in the new government.

With the same thoroughness that had marked its previous seclusion, the nation now leaped forth into modernization, spanning the gap of two tremendous centuries. The army, heretofore limited to the Samurai class, was nationalized under a compulsory service law. Machine industry rapidly supplanted medieval handicraft, the financial system was reformed, trade relations were established with the rest of the world, and a broad program of education was vigorously promoted. "Never in all history," says H. G. Wells, "did a nation make such a stride as Japan then did. . . . She completely dispelled the persuasion that Asia was in some irrevocable way hopelessly behind Europe. She made all European progress seem sluggish and tentative by comparison."

There is a pertinent feature of this sudden leap from feudalism to industrialism that provides a clue to Japan's recent history. While thus spanning centuries of technological advance in a few decades, the mind and temper of the people were left unchanged—unlike the radical trans-

formation that had changed the outlook of the Western world. The social organization of the country remained essentially feudalistic, with control now shifted to a centralized bureaucracy, a small capitalist class, and an aggressive army leadership. The industrial revolution meant very little improvement in the living standards of workers and peasants. The growth of literacy was not permitted to open the way for the emancipation of the individual mind and conscience. Whatever yearnings for liberal and democratic reforms have appeared since the Restoration have been energetically suppressed. Industrially Japan has caught up with the most advanced nations of the world, but psychologically her people have been halted on the threshold of the modern era.

#### ELEMENTS OF THE JAPANESE CREED: (A) SHINTO

The uniqueness of Japanese life and institutions, the elements that are at the bottom of her psychology and social organization, are to be found in the meaning of three concepts: *Shinto*, *Kodo*, and *Bushido*. The first of these, *Shinto*, was originally a primitive form of religious faith built around the family and exalting the local deities of nature and fertility. But it is notable that, since the Restoration of 1868, the *Shinto* creed has been deliberately merged with the state, and made the vehicle of an aggressive nationalism. It was an instrument ready to hand, perfectly adapted to the purposes of the national leadership. *Shinto* is the most ancient religious faith of Japan, a naïve form of animism featuring the worship of a great variety of local gods supposedly embedded in trees, stones, mountains, and other holy places. From the first, its ceremonies have been intimately identified with the traditional rice culture of the people, the reverence for the Emperor, the sacredness of the family, and the armed forces. All this has been com-

mingled with a number of wholesome moral precepts, but the principal emphasis has been upon the virtues of filial piety, obedience to authority, and devotion to the Emperor. No traditional pattern could have been more readily adapted to the purposes of a nationalistic, authoritarian, militaristic state.

This is precisely the present significance of Shintoism. Ancient myths and legends are drawn upon and enunciated with all the authority of Japanese scholarship, to prove that the Japanese islands were literally begotten of the gods, that the present Yamato race are the descendants of a single tribe commissioned to inhabit these islands eternally—while at the same time extending their benevolent influences to the four corners of the earth—and that the ruling dynasty of Japan enjoys an unbroken descent from divine progenitors. Everything Japanese is diffused with this divine radiance; the land is holy, and destined to endure forever; the entire people partake of divinity, and are under the special protection of their deities. The soldier who dies in the service of his country, no matter how unworthy his normal life, becomes enshrined with the gods. To this somewhat extreme version of a "chosen people" complex, the state has added with special emphasis the virtues of blind loyalty, unquestioning obedience, and the conviction that the outside world must be redeemed through Japanese intervention. The spiritual purity of the Japanese is unceasingly contrasted with the inferiority and corruption of foreign peoples. As opposed to the universalism taught in the Western world, we find here an aggressive nationalism; instead of freedom, there is conformity; in the place of science, a reversion to ancestral tradition; as against acculturation, there is affirmed the racial superiority of the Japanese. This is the political weapon that has been molded by the recent rulers of Japan.

prevails broadly today—is known as Bushido. It is a spartan code, one in which military valor and obedience to authority are paramount. It is no less a code of personal rectitude, simplicity of living, and an acute sense of honor. Yet it is a conception of behavior curiously narrow in comprehension: it idealizes loyalty only to one's superior, and honor only to those to whom obligation is felt; against others, every form of deceit and dishonor can honorably be practiced. Bushido explains equally the heroism of the Japanese soldier and his treachery toward his enemies; it makes explicable his compassion and self-sacrifice, as well as his notorious brutality.

Hara-kiri, the destruction of self by disembowelment, originated among the Samurai as a privileged form of atonement for personal dishonor, or as the supreme act of protest against injustice. The *hara*, or belly region, was believed to house the soul, and its release would therefore disclose to the world the ultimate sincerity of the warrior.

### THE STRUCTURE OF GOVERNMENT

Japanese government, consistent with the national tradition, is paternalistic and authoritarian; there is little pretense to, and even less practice of, popular government. In *theory* the Emperor is the fountainhead of all government, the supreme ruler, the maker of law, the repository of all powers—executive, legislative and judicial. He is commander in chief of the armed forces; he declares war and makes peace; he convenes and dissolves the Diet. But in *practice* the Emperor, being by virtue of his divinity above party, controversy, or responsibility, participates hardly at all in the process of governing. Government in all its branches is carried on “in the name of the Throne,” according to a tradition of formality and indirectness. The final

their effect is largely negated through intimidation by army extremists, or through presentation of a military *fait accompli*, as in the Manchurian invasion. Because the army occupies a unique place in the national consciousness, second only to that of the Emperor himself, it has more than once boldly defied the civil government under the guise of national patriotism. The navy is more tractable, more conservative in temper, less inclined toward politics.

Never democratic and only mildly liberal for a brief period, the Japanese state has in recent years become completely totalitarian. There is no freedom of speech, of press, of assembly, or even of "dangerous thoughts." Political parties, trade unions, and other independent associations (with the exception of the employers' federation) have been dissolved or suppressed. With the elevation of General Tojo to the post of Prime Minister late in 1941, military rule—heretofore indirectly exercised—has now wholly and directly supplanted civil government. Through the creation of a new "Super-Ministry for Greater East Asia," established in 1942, the army has been put in control as well of all occupied territory seized as a result of the present war.

### THE ECONOMIC STRUCTURE

Japanese political authoritarianism finds its full complement in a thoroughgoing economic control exercised by the state in conjunction with private monopoly enterprise. From the beginning of modern Japanese industry the state has played a decisive part in the country's economic life: basic enterprises, particularly in the fields of transport, shipping, communication, power, armaments, and banking, have been subsidized, supervised, or owned and operated outright by state agencies. Japan's economy, like that of fascist Germany and Italy, is an instrument of political

policy and the handmaiden of power politics. In recent years this control has been steadily increased until there is now no sector of economic life—labor, capital, finance, industry, agriculture, prices, or wages—which has not been brought within the scope of government direction. Like that of the fascist states of Europe, the Japanese economy represents a fully matured system of state capitalism.

The second important phase of the Japanese economy is the predominance of large-scale corporate enterprise—more narrowly concentrated than in any other nation. The major part of industry and banking is closely held by four great family groups—the Mitsui, Mitsubishi, Sumitomo, and Yasuda interests. Financial control is largely interlocked with political and military officialdom. Though sometimes apprehensive of military adventures, these groups have nevertheless, willingly or reluctantly, shared the expansionist objectives of the army and navy and have taken the leading part in exploiting newly won territories. There is an underlying resentment on the part of extremist army leaders (a heritage of the Samurai tradition) against the “spirit-corrupting” influences of Japanese business; but the industrial character of modern warfare and the exigencies of national expansion have created a working alliance between the two forces.

The remainder of Japanese industry is chiefly of the small-scale type, factories employing from five to fifty workers under a traditionally Japanese paternalistic system. Wage levels in industry are notoriously low, and, unlike the practice of most countries, there is no public relief or social security program; unemployment or destitution is a charge that is assumed by the family unit, no matter how meager its resources.

The astounding success of Japanese exporters in capturing a large share of the world market is rightly attributed

in part to low wage levels and currency manipulation, but at bottom this commercial superiority is a consequence of the highly integrated and disciplined character of the Japanese social organization. The government, the financial oligarchy, and the weight of tradition have combined to keep life simple, frugal, and devoid of those material improvements which are the normal accompaniment of an industrial civilization. It needs to be added that Japanese society is conspicuous for the absence within it of a strong middle class, such as might bridge the gap between the plutocracy and the poor, combat the predominance of the military, and provide the leaven of liberal-democratic ideals.

The overwhelming mass of the Japanese people have been excluded as fully from the national wealth as from participation in government. In spite of the paucity of arable land in Japan itself, fully half the population is still agricultural. Landholdings, except for a number of huge baronial estates, are pitifully small, averaging less than two acres in size. Of all classes within the nation, the farm population is the most disadvantaged. Land rentals and heavy taxes absorb the greater part of the crop income. Raw silk, commonly the one cash crop, has lost virtually its whole export market since the outbreak of the war. Even in normal times the depressed condition of the Japanese farm family is reflected in the practice of indenturing the daughters to industrial concerns for a period of years in return for a cash payment, or of selling them outright into legalized prostitution. Few of the material benefits of industrialization have been translated into agricultural benefits. Riots among the discontented peasantry have been frequent in recent years, and it is from this submerged class that national revolt may possibly arise as the consequence of a Japanese military defeat.

## SOME FEATURES OF THE JAPANESE PSYCHOLOGY

A few observations may be added to suggest some of the more distinguishing features of Japanese national life. The remarkable assimilative quality of the nation is familiar to all, but it is notable that wherever borrowings are made from other cultures they are invariably shaped into the traditional social pattern. Japanese social organization has thus far proved itself able to absorb the adhesions of Chinese and European practices with little internal change. Nor are the Japanese merely imitative, as the popular prejudice goes; whether in politics, war, or industrial organization, they have shown an ample measure of ingenuity and inventiveness in their own right. Similarly, despite the rigid authoritarianism of the state, there is a large degree of fluidity in the social classes. Personal ability is freely recognized, and a large percentage of Japanese military and industrial leaders have risen to eminence from the lowliest origins.

The Japanese mentality is complex and, by Western standards, frequently paradoxical. There is a curious note of naïveté and ingenuousness, for the most part entirely sincere, about the lofty official pronouncements of Japan's intention to bring peace and righteousness to the rest of the world. These statements are not to be mistaken for palpable hypocrisy. They issue from the unique ethnocentrism, the insularity, and the messianic complex that are the very essence of the national psychology. To understand this mood is to make explicable much that remains otherwise obscure and indefensible to the rational Western mind.

## EXPANSION AND FOREIGN POLICY

The Restoration of 1868 awoke Japan to her world position at a time when European imperialism was making

heavy inroads into Asia. Japanese leaders responded in kind—tentatively, at first, by absorbing island groups near by; then more boldly, as modern war equipment became available.

In 1895 a quick victory over disorganized China yielded Formosa and a protectorate over Korea. The startling victory over Czarist Russia ten years later won for the growing Empire control of south Manchuria, the southern half of Sakhalin Island, and recognition as a member of the Great Powers. As a reward for siding with the Allies in the First World War, Japan obtained a mandate over the numerous islands of the Marianne, Caroline, and Marshall groups—thereby extending her dominion some 1,500 miles south and 2,500 miles east across the Pacific.

During the 1920's Japanese efforts turned from territorial to commercial conquests. This was also the period of her farthest advance in democratic reform, when it seemed for a time that Western humanitarian ideas, as well as industrial practices, would triumph. Japan had entered the League of Nations and, though reluctantly, had agreed to a limitation of naval armaments. At home a liberal regime had successfully halted the increase in army appropriations. Meantime not only liberal, but socialist and communist, ideas were becoming popular within university and working-class circles.

But as in each case since the Restoration, when the abandonment of ancient practices seemed imminent, a "patriotic" reaction abruptly struck down the threat. In 1930 the temporary collapse of Japanese industry gave the army extremists an opportunity to reclaim their prestige by the conquest of Manchuria. The attack was carried out in defiance of the civil government, but, once launched, there was no thought of its repudiation. When the parliamentary successes of the "liberals" in the 1936 elections again sug-

gested that the army had overreached itself, the extremists retaliated once more with assassinations and a military coup. Liberals and communists alike were purged, imprisoned, or driven underground.

With the invasion of North China in 1937 the nation slipped gradually under a totalitarian discipline that has since deepened into complete regimentation. Well in advance of the time when Japanese forces attacked the Pacific possessions of the United States, Great Britain, and the Netherlands in December, 1941, the country had been fully mobilized for a final and total war.

# The Countries of the World

A brief description of their present political and economic structures, as measured by the impact of modern reform movements

**AFGHANISTAN:** The country persists in its traditional isolation—psychological as well as geographical—from the Western world. It is a Moslem state in religion, law, and customs. The government, although in form a constitutional monarchy, is in practice authoritarian, with power exercised by the King. A measure of control still remains in the hands of the *mullahs*, or religious leaders. The Afghan economy is primitive, pre-capitalistic, and almost wholly agricultural. Foreign policy is largely under British guidance.

**ARGENTINA:** In political form, Argentina is a federal constitutional republic, patterned after that of the United States; its democratic tendencies, however, are diluted by an inadequate educational system, limited civil liberties, white class dominance over the native population, and a politically influential army. Its economy is primarily agrarian-capitalist, with a moderate amount of state intervention. Agriculture is overwhelmingly the major industry, with most of the land held in huge estates by a family aristocracy, who exert the paramount influence in national politics. The semi-feudal character of the prevailing system is being challenged increasingly by an emerging liberal-minded, industrial middle class. A prominent German minority furnishes the spearhead of fascist ideology. There is a small but active

socialist movement; the communists are a negligible force. Recently the swing to authoritarianism seems to have been at least partially arrested by a combination of diplomatic and economic pressure and mounting public resistance, though it seems doubtful if any fundamental changes in the social and political orientation of the government have occurred.

**AUSTRALIA:** This is a federal, constitutional, parliamentary state, democratic in its structure and practices. Australia is a Dominion of the British Commonwealth, with fully self-governing institutions. The Administration, headed by the Prime Minister, is at all times responsible to an elected Parliament for its policies. Suffrage is universal, secret, and direct. Freedom of speech, press, and assembly are fully exercised.

The nation's economy has been aptly described as "social-service capitalism." Governmental regulation of industry and ownership or joint-ownership of business enterprises are prominent features. Labor organization is highly developed, but it is stabilized and relatively conservative. The Labor party has had the largest representation in Parliament for some time, and constitutes the present Commonwealth government. There is a considerable body of industrial and labor legislation, and a comprehensive social security program. The co-operative movement has made strong headway. The Australian population is almost entirely of British extraction, and the ties with the mother country are close.

**AUSTRIA:** Until its annexation by Germany in 1938, Austria was organized as a constitutional republic with a popularly elected legislature and President. But after the forcible suppression of the socialist movement in 1934 the country turned more and more to authoritarianism. A new

Constitution promulgated by Chancellor Dollfuss established a Catholic corporative guild state, a sort of clerical fascism. Popular suffrage and political freedom were abandoned. With the working-class movement crushed and popular support alienated, Austria was subsequently powerless to resist the absorption of the country by Hitler.

Austrian socialism of a moderate, municipal type was especially prominent in Vienna, where the Socialist administration had carried through an impressive program of education, health clinics, low-cost housing, etc. Until its suppression in 1934, the party had constituted the largest group in Parliament.

**BELGIUM:** Prior to the German invasion, Belgium was a constitutional monarchy governed on a parliamentary basis and in accord with democratic principles. There was a multiple party system, broad suffrage, and the enjoyment of civil freedom. At the outbreak of war the government consisted of a Catholic-Socialist-Liberal party coalition.

The country is highly industrialized, with the result that the labor movement has played an important part in the national life. The conduct of private business has been appreciably modified by reform measures along the lines of taxation, provision for social security, and labor legislation. The principal internal problem of Belgium before the war was the demand of the Flemish half of the population for autonomy from the French-speaking Walloons. A partial satisfaction of their demands had been achieved. Forced to surrender to the German invaders in May, 1940, the Belgian government in exile has continued the struggle in conjunction with the United Nations.

**BOLIVIA:** Formally the government is a constitutional republic, with an elected President and Congress. The

country is backward both politically and economically. The great majority of the population is Indian, and the degree of illiteracy is very high. Political control, which is authoritarian rather than democratic, rests mainly with the army and families of wealth. Although agriculture predominates for the country as a whole, mining (notably tin) is the chief productive industry. Conditions in the mines are frankly exploitative, enormous profits being siphoned out of the country by absentee owners, while the working population subsists on starvation wages and is denied the means of effective protest. As a result, widespread discontent is readily manipulated into channels of "anti-foreignism," particularly against the United States.

Government *coups* in Bolivia, such as that of December, 1943, represent little more than a transfer of control from one ruling clique to another. Genuine reform groups, aiming at an extension of democracy, have long been exiled or suppressed. The pro-fascist character of the recent revolt must be understood as more significant in its internal implications than internationally, even if inspired in part by pro-Nazi elements.

**BRAZIL:** The government, though a republic in name, has operated as a modified dictatorship since the accession of Getulio Vargas to the Presidency in 1930. A program of state capitalism was officially promoted by the establishment of a semi-corporative system in the new Constitution of 1937; this was furthered by the inauguration of a five-year plan for economic development in 1939.

There is limited exercise of civil rights. Elections to Congress are indirect and in part on an occupational basis. Political parties have been officially dissolved, and the central government has assumed a commanding position over the various state administrations. Large coffee plantations

are the predominant factor in both economic and political affairs. Until suppressed, the large German minority in Brazil was aggressively pro-Nazi.

**BULGARIA:** The country is a constitutional monarchy which, since 1934, has drifted into outright dictatorship. Power has been exercised either personally by the late King Boris, or through the instrumentality of the Premier and Cabinet—in which army influence has been inordinately great. Civil rights have been extinguished and opposition political parties outlawed. The country is industrially undeveloped; agriculture is the prevailing economic pursuit. Illiteracy continues high, with political intelligence correspondingly low. Little has been accomplished in the field of social legislation.

In March, 1941, Bulgaria became a signatory of the Three-Power (Axis) Pact, and by June, 1942, it was at war with the United States. Traditional pro-Russian sentiment on the part of the people prevented aggressive action against the USSR.

**CANADA:** This is a federal, constitutional commonwealth, with a large measure of political autonomy reserved to the nine provinces. Its parliamentary government is modeled on that of Great Britain—although for all practical purposes Canada, like the other British Dominions, is an independent state. A high degree of political democracy exists. The most difficult internal problem is that of harmonizing relationships between the French-speaking, Catholic province of Quebec and the remainder of the country.

Recent years have seen a moderate growth of regulatory legislation over industrial activities, somewhat resembling New Deal measures in the United States, although less comprehensive in scope. This has been accompanied by a rapid

growth of trade unionism. The most notable recent development in politics has been the rise of the Canadian Commonwealth Federation to the status of a major party, with a program based upon "cultural democracy and economic collectivism"—not unlike that of the British and New Zealand Labour parties. There is a small communist movement, as well as the distinctive Social Credit program of the province of Alberta (now largely abandoned). A type of "clerical fascism," similar to that of the Spanish Falangists, gained prominent support in Quebec until the outbreak of war in 1939.

The closest political and economic ties have characterized Canada's relations with the United States for many years.

**CHILE:** The country is a republic, successfully broadening the range of its democratic institutions, political, social and economic. Recent elections have given power to a Popular Front coalition, under which industrial reforms have been vigorously advanced.

Chile is unique among Latin American countries in that its population is predominantly white. The internal political struggle is, roughly, between the landowning oligarchy and the now ascendant middle and working classes. The radical parties comprising the Popular Front coalition, though unified in their opposition to the rightist groups, are themselves sometimes split by dissension. A sizable pro-Hitler movement, represented by the *Nacistas*, was active until recently.

**CHINA:** Since the establishment of a republic in 1915, the central government under the stress of unification, reconstruction, and resistance to invasion has remained authoritarian in character. A Western type of constitution, adopted in 1936, promises democratic government to the people

after a period of political tutelage. The Kuomintang party monopolizes the government, with Chiang Kai-shek as its President and military leader.

Chiefly in the northwestern provinces the Chinese communist forces, though acknowledging the authority of the Kuomintang, have instituted far-reaching political and economic reforms of a democratic nature. Chinese communism as a program has been adapted to the overwhelmingly agricultural and decentralized structure of the national life. Both in these and in the other unoccupied provinces of China the industrial co-operative movement flourishes. The country as a whole is backward, non-industrial, and impoverished, though richly endowed with resources. The rate of illiteracy is extremely high.

**COLOMBIA:** This is one of the more democratic of the Latin American countries in its political and social outlook. Its constitution resembles that of the United States. The great bulk of the population is white or half-caste, and despite a fifty per cent illiteracy rate can boast a high cultural level. Much latitude has been left for local and provincial self-government. Colombia has a tradition of gradual development, capable leadership, and an absence of violent upheavals. The status of the Catholic Church remains the sharpest issue between conservative and liberal factions.

Economic development has been relatively unhurried, thus avoiding to a large extent the familiar industrial stresses and acute class alignments.

**COSTA RICA:** The country is a small democracy of the highest order. The political tradition is peaceful and constitutional. There are regular elections, widespread suffrage, and executive responsibility to a representative Congress. Voting is compulsory. The educational level is high. The

land is well distributed among the population in modest holdings; extremes of income are almost non-existent, and there are no perceptible class divisions. Pro-Axis activities, for a time tolerated, had been liquidated by 1941. No radical movement has appeared.

**CUBA:** As in the case of most Latin American countries, Cuban politics have been notoriously unstable, punctuated from time to time by military coups. Since 1940 Colonel Fulgencio Batista has ruled as President and "strong man," supported by an unprecedented coalition of rightist and leftist parties. His administration is notable for its attempts to educate the masses, improve their standard of living, and provide social benefits (health clinics, recreational facilities, rural rehabilitation, etc.) for the people.

Cuba is virtually a one-crop (sugar) country, and its economic welfare is closely tied to its chief customer, the United States. Political relations between the two countries are correspondingly close. Most of the sugar is produced on large plantations, and the greatest part of the mills are American-owned.

**CZECHOSLOVAKIA:** Reconstituted as an independent state in 1918 after nine centuries of subjugation, Czechoslovakia stood out as the most democratic country of central Europe until its seizure by Hitler in March, 1939. Its government was that of a republic, with full representative institutions, universal suffrage, guaranteed civil rights, and the protection of minority peoples. The major part of the population showed a high level of political and social responsibility.

The country was well advanced industrially, having achieved a healthy balance between agriculture and manufactures. Socializing tendencies were fairly marked: public

ownership of enterprises occupied a moderate sector of economic life; the role of trade-unionism was important; social security provisions were extensive; there was a well-developed co-operative movement; and the government showed an active concern for the general economic welfare.

**DENMARK:** This was a constitutional monarchy in which, before the Nazi invasion, full political democracy prevailed. Government was in the hands of a Parliament elected by universal suffrage, to which the Prime Minister and Cabinet were responsible. The Social-Democratic party (moderate socialist) was the largest in both houses, having earned the support of the farming, as well as the industrial, population.

The Danish educational system, including the adult folk schools, had eliminated all traces of illiteracy and proved a potent force for democratic training. The co-operative movement, among consumers and farm producers alike, constituted the most important segment of the economy. There was a generous social security program. Widespread land ownership gave the country a remarkable degree of stability. The standard of living was among the highest in the world.

**DOMINICAN REPUBLIC:** In spite of its republican trappings, this Caribbean country is an outright and absolute dictatorship under the rule of General Trujillo. The population, mostly Negro and mulatto, is exploited both politically and economically. The chief pursuit is sugar-cane cultivation, most of the industry being foreign-owned. Illiteracy is very high, and poverty almost universal. Trujillo's rule is strictly personal; opposition parties of any hue are strictly forbidden.

**ECUADOR:** The country is only now settling down to a measure of stability and constitutional rule after years of

political turmoil. Representative government is beginning to function and internal conditions are on the mend. The population is mainly mestizo and Indian, for the most part uneducated and poverty-stricken. The national wealth is largely in the hands of a small landed aristocracy and the Catholic Church. Agriculture predominates, cocoa being the principal crop. The program of the present government (liberal, anti-clerical) stresses social and economic reform on a broad scale.

**EGYPT:** The government is a constitutional monarchy; there is a two-house Parliament, only partly elective. Suffrage is limited by property and literacy qualifications, so that voting is the privilege of a small minority. Political issues have revolved mainly around the question of co-operation with, or opposition to, Great Britain. Since 1936 Egypt has been a sovereign state, with British rights limited to protection of the Suez Canal and military intervention in time of war.

The national economy is primarily agricultural; cotton is the most important crop. There is a broad gap between the wealthy, educated aristocracy of the country, and the great mass of poor, illiterate peasants and artisans.

**EIRE (Irish Free State):** According to the Constitution of 1937, this is a "sovereign, independent, democratic, Catholic state"—voluntarily associated for some purposes with the British Commonwealth. There is an elected President, but governing power rests with the Prime Minister and his Cabinet, who are responsible to a representative Parliament. Public sentiment is strongly nationalist, especially with regard to the incorporation of the six northern counties (Ulster) into the Free State. The De Valera (Fianna Fail) party now in power is opposed by the more moderate and

conservative United Ireland party of Cosgrave. A Fabian type of Labor party is represented in Parliament.

Industrial development is small in comparison with agricultural production and processing. Eire has followed a cautious policy of experimenting with social and economic legislation. In foreign affairs it has thus far maintained a strict neutrality with regard to the war.

**EL SALVADOR:** The government is a one-party, personal dictatorship by General Martinez, exercised through the framework of a republic. The regime has pursued a moderate, conciliatory policy, however, with a minimum of repression. President Martinez promises a gradual evolution toward democratic government.

The country is divided into a wealthy, landowning upper class and a landless proletariat, largely uneducated and chronically impoverished. Artisan and commercial classes are small. Despite much mineral wealth and forests, agriculture represents almost the whole of the nation's economy. The population is Indian and Spanish-Indian.

**ESTONIA:** Until 1918 this was a Russian province, from 1918 to 1940 an independent state, and incorporated as a republic of the Soviet Union on the latter date. During the period of its independence the government was frankly authoritarian. The President-Premier, C. Paets, wielded dictatorial powers; political parties were suppressed, and martial law prevailed over the country for some time. The political orientation was strongly pro-Nazi and anti-Soviet. A large German minority (removed by agreement in 1940) enjoyed an almost autonomous position.

Agriculture is all-important; there is little industry.

**ETHIOPIA:** The country was re-established as an independent kingdom in 1941 after five years of Italian domina-

tion. Haile Selassie, the Negus or Emperor, is a modern-minded ruler, but the country remains retarded, primitive, and imperfectly unified. The native population is Hamitic-Semitic, of the white race; Mohammedanism and Coptic Christianity are the prevailing faiths. Government provides no scope for popular expression, nor is there any tradition of political responsibility. The potential resources of the country are considerable, but little has been done except in the field of agriculture, and production here is on a primitive basis.

**FINLAND:** This state was proclaimed a republic in 1919 after more than a hundred years as a Russian province. Until the invasion of the country by Soviet armies in 1939 and its subsequent adherence to the Axis, the Finnish government was a democratic, representative agency. There was universal suffrage, with full civil and political rights, regular elections, secret ballot, and protection of minorities. The Social Democratic party, adhering to a constitutional socialist program, held the largest representation in Parliament. The Nazi party, although legal, was relatively small; the Communist party had been outlawed.

The outstanding feature of the Finnish economy has been the consumers' co-operative movement, which in the aggregate handled a third of the total wholesale and retail trade. Extremes of income were exceptional, and land ownership was widespread. There was a fairly extensive amount of social and industrial legislation. Until the outbreak of war, Finnish foreign policy had been that of a neutral, except for a strong anti-Soviet attitude.

**FRANCE:** The French Third Republic came into being in 1875 and expired in 1940 when, following the capitulation to German forces, an authoritarian and pro-fascist corpora-

tive system was decreed by Marshal Pétain under a new constitution. The slogan "Work—Family—Fatherland" has replaced the republican motto "Liberty—Equality—Fraternity."

During the period of the Republic, three unresolved issues divided the population: (1) "fulfillment of the Revolution" in all its democratic implications, as against a return to monarchy or authoritarianism; (2) opposition to, or support of, the Roman Catholic Church; (3) socialism (or one of its variations) versus conservatism and fascism. The movement toward democracy, anti-clericalism, and socialism reached its apex in the Popular Front (leftist party coalition) governments of the late 1930's. Their opposites are now in power.

French government during the Republic was constitutional and parliamentary, with responsibility to an elected legislature. A multiplicity of parties, however, produced a condition of chronic instability of administration and policy. The Popular Front reforms of 1936—labor legislation, education, agricultural aid, nationalization of the munitions industry, reform of the Bank of France, etc.—though not extremist, intensified the struggle between the leftist and rightist coalitions, inducing a pro-fascist movement within the latter. Internal dissension proved a large factor in the French collapse. The powerful industrial and banking oligarchy preferred fascism to the abrogation of their powers; the working class, insistent upon economic reform, became blind to the threat against their national security.

**GERMANY:** See Chapter 18, *Nazism*.

**GREAT BRITAIN:** This is the birthplace both of modern representative government and of capitalistic economic institutions. A long train of evolution has subordinated the

monarchy and the aristocratic House of Lords to control by the all-powerful House of Commons, which is elected by universal suffrage. The effective government is lodged in the Prime Minister (leader of the majority party) and his Ministry, who are accountable to the Commons for their policies. The constant pressure of the British Labour party has forced the adoption by Conservative governments of legislation favoring trade-union organization, co-operatives, social security, and the like. There is full enjoyment of civil freedom.

The British economy today is a far cry from its laissez-faire beginnings. Some state and many municipal enterprises are publicly owned and operated; a large body of regulatory business legislation was in effect long before the outbreak of the Second World War; trade unions play a vital role in industrial life; tax policies have sharply reduced exorbitant incomes; social security measures have been steadily broadened; and the co-operative movement embraces a large proportion of the population and handles a huge volume of business. The British educational system, however, continues to reflect the division between rich and poor in the facilities made available, and much of the limited land area is still held in large, non-productive estates.

**GREECE:** The Greek republic, established in 1924, was set aside in 1935 in favor of a restoration of the monarchy under King George II. At the time of the Italian invasion of 1940, Premier General Metaxas was exercising a personal dictatorship; Parliament had been dissolved, political parties suppressed, and civil rights abrogated. The pretext for seizure of power was the alleged threat of a "communist uprising."

The country is chiefly agricultural, though industrial advance before the war had been proceeding steadily. The

land is well distributed, but the national resources are limited and the living standard low. In the days of the republic the government made earnest attempts to assist manufacturers and improve the welfare of the peasants.

**GUATEMALA:** The government is an unqualified personal dictatorship, exercised by President General Ubico behind the façade of a constitutional republic. Legislation is by decree; criticism or opposition to the government is summarily punished. The regime has to its credit, however, a considerable amount of public improvements and a reputation for honest and skillful management.

The population is almost entirely Indian and half-caste, uneducated, and engaged in agricultural pursuits. A prominent German minority is settled here, but its pro-Nazi activities were proscribed in 1939.

**HAITI:** The country operates under a semi-dictatorship by the President, within the framework of a republic. The population consists overwhelmingly of Negroes, nearly all of whom are uneducated. Leadership in public affairs, business, and the professions is furnished by a higher-caste mulatto minority. Agriculture is almost the sole economic pursuit. The living standard is at a minimum level. Voodoo and black magic practices, though legally forbidden, persist as a potent social and political factor throughout the country.

**HONDURAS:** This is perhaps the least advanced of American countries in respect of its political and economic status. Legislation and administration are wholly dominated by the President, under what is effectively one-party rule. There is a notable absence of civic consciousness, even of the normal spirit of nationalism, on the part of the Honduran

people. Only small advances have been made in business or education.

To a large degree the country is a colonial preserve of the United Fruit Company, which operates the large banana plantations upon which the national economy is based. The population is chiefly Indian, with a Spanish admixture.

**HUNGARY:** For a thousand years Hungary was the country of the Magyars, originally an Asiatic people, and until 1919 a part of the Austro-Hungarian Empire. At present it is a constitutional monarchy ruled by a Regent (Admiral Horthy); the throne, to which Otto of Habsburg aspires, has remained vacant. The country is, in fact, a semi-dictatorship representing the paramount interests of the landowning aristocracy, in whose hands a large portion of the national wealth is centered. The peasantry is poor, uneducated, and generally landless—a serious condition in a country so predominantly agrarian.

Suffrage is limited; there is a fair amount of freedom of expression, except for Jews and radical reform groups. Nationalist feeling is extremely high. Somewhat reluctantly Hungary entered the circle of Axis satellite nations, taking on at the same time a measure of fascist coloration. There is no spirit or tradition of real democracy.

**ICELAND:** Until recently a democratic, parliamentary kingdom united with Denmark in recognition of a common sovereign, King Christian X, the country since 1941 has voted itself independent of Danish ties, elected a Regent as executive, and approved a republican Constitution. There is universal suffrage, full political and civil rights, and a government responsible to the elected legislature. Education has attained a high level. The economy is for the most part small-scale business, farming, and fishing; there is little in-

dustry. The co-operative movement is an important factor in the national life; a program of mild socialism enjoys appreciable support.

**IRAN:** Formerly known as Persia, Iran is a constitutional monarchy in which the power of the King dominates the legislative and other governmental functions. No party or newspaper opposition is permitted. A strongly nationalist movement, stressing the modernization and industrialization of the country, was promoted by Riza Shah Pahlevi, whose reign lasted from 1925 to 1941. The people are Moslem by faith and to a large extent illiterate.

Valuable natural resources, particularly petroleum, are being developed by British and American interests. Native industry is small-scale, agriculture providing the chief occupation. Handicraft arts, such as rug-weaving, are important. A number of enterprises are conducted as state monopolies. The country for the period of the present war is under occupation by British and Soviet troops.

**IRAQ:** The country has been independent since 1932, although in a protective treaty relationship with Great Britain. The government is composed of a hereditary monarch, a Prime Minister and Cabinet, and a partly elective Assembly. But, despite its parliamentary form, the regime is actually authoritarian—at present under a regency in behalf of young King Feisal II. Opposition political parties are forbidden. Unification of the diversified tribal populations is as yet far from complete.

The people for the most part are backward and uneducated. Industry is confined mainly to agricultural activities, except for the exploitation of rich oil resources by foreign concessionaires. A pro-Axis revolt in 1941 failed to attract popular support and was soon quelled by British troops.

ITALY: See Chapter 17, Italian Fascism.

JAPAN: See Chapter 19, Japanese Fascism.

LATVIA: In 1934, Dr. Karlis Ulmanis, Premier, brought an end to representative government in Latvia by dissolving Parliament, abolishing political parties, and instituting rule by Cabinet decree. Two years later he assumed the office of President as well as Premier, promising the revision of the Constitution along corporative state lines. The government displayed strong pro-German leanings and an equal degree of hostility to the USSR. In 1940, following its occupation by Soviet troops, Latvia was incorporated in the USSR by plebiscite.

The country has little manufacture, the chief industries being farming and lumbering. A process of gradual socialization, begun under the new Soviet administration, was interrupted by the German invasion the following year.

LIBERIA: This is an independent Negro republic, founded in 1822 by repatriated slaves from the United States. The country has since remained under United States protection, and is now occupied by American troops. Government is administered by a President and Congress, with powers similar to those in this country. Effective political control rests with the Afro-American descendants of the original settlers, since the interior native tribes remain largely uncivilized.

Transportation and industry are undeveloped, but the country is an important producer of rubber and other tropical products. The large-plantation system prevails. American investment and influence are predominant.

LITHUANIA: Like Estonia and Latvia, Lithuania was constituted a republic in 1918 by separation from Russian territory, and in 1940 was reincorporated into the USSR.

by plebiscite. Until then, the government had been semi-dictatorial, with power in the hands of President Antanas Smetona and a coalition Cabinet of Christian Democrats and Agrarian Socialists. All other parties had been dissolved in 1936. Foreign policy had been dictated largely by fear of both Germany and Poland, with a friendly attitude toward the USSR.

Agriculture is the predominant occupation; diversified small manufacturing has made some headway.

**LUXEMBURG:** The country is a constitutional Grand Duchy, with a responsible parliamentary form of government under a hereditary monarch. Despite its miniature size, the country is important for its strategic location and its highly developed steel industry. The population is predominantly Roman Catholic, chiefly German in origin but French in outlook. At the time of its occupation by Nazi troops (May, 1940) the largest party in parliament was the Catholic Conservative, the second largest the Socialist.

The primarily industrial economy is balanced by an admirable system of small landownership for agricultural production.

**MEXICO:** This is a federal republic, with a governmental framework resembling that of the United States. In recent years civil and political rights have become more broadly and firmly established than ever before. The country is emerging from a prolonged period of political instability, and at the same time taking drastic steps to reclaim the large proportion of national resources (land, minerals, and petroleum) which had passed into foreign hands under questionable circumstances. The Catholic Church, as well, has been deprived of much of its former wealth and political influence.

At least under the administration of President Cardenas (1934-40) the direction of progress was unmistakably socialist: legislation granted to labor unions a large share of industrial management, co-operative enterprises were fostered, the scope of government ownership extended, collective farming introduced on an impressive scale, and various social welfare measures enacted. Large landholdings were seized and distributed to landless farmers. The educational system has been entirely secularized and remodeled along socialist lines, both in methods and in subject matter. The forces of nationalism, political democracy, and socialism are equally powerful trends in Mexico's modern development.

**NETHERLANDS:** Politically the Netherlands was a democratic, constitutional monarchy until the invasion by Nazi forces in 1940. Governing power was exercised by the Sovereign (Queen Wilhelmina) and the bicameral Parliament, through a Premier and Cabinet. There was universal suffrage and full freedom of expression, of assembly, and of religious worship. A system of compulsory education was maintained by the state. In the last free election the Roman Catholic party won the largest number of seats in Parliament, the Social Democratic Labor party next. The Nazis received a minority party representation. Both major parties were devoted to democratic practices, and supported state regulation and aid to industry and agriculture. A modest social security program had been in effect.

The country had attained a diversified and highly developed industrial structure, which was augmented by an intensive output of crops and dairy products—all together providing a stable economy. Farms were typically small and owner-operated.

**NEW ZEALAND:** This is a self-governing Dominion of the British Commonwealth, distinguished for having incorporated a large degree of socialism into the national structure by legislative methods. The British parliamentary system is followed in the practice of government. Woman suffrage has been in effect since 1893. The fullest measure of civil, political, and religious freedom exists. The native Maori people have been incorporated smoothly into the social structure and play an important part in public affairs.

A labor party triumph in the 1935 elections was promptly followed by the enactment (or supplementing) of legislation providing for such far-reaching reforms as nationalization of financial institutions, a state housing program, agricultural price-fixing, state marketing of produce, extensive public works, compulsory unionization, minimum wages, the forty-hour week, national health service, and a notably broad program of social security. Illiteracy is almost non-existent, and the standard of living is one of the highest known. The Conservative-Liberal opposition condemns socialization of industry, but does not otherwise oppose social reform. A coalition government was adopted for the war's duration.

New Zealand is primarily a farming country, with a large exportable surplus.

**NICARAGUA:** The government is a semi-dictatorship by President Somosa, operating within a republican structure. The President and both houses of Congress are popularly elected. There are three political parties, but power rests almost entirely with the Liberals. Despite the armed interventions of 1912-32, co-operation with the United States is the cornerstone of Nicaraguan foreign policy. The Liberal party seeks the separation of Church from state, secularized

education, improved public health, and progressive social legislation. Pro-Axis influences, prominent for a time, were eradicated by 1941.

The population of Indians and mestizos is largely illiterate, although education is making some headway. Except for gold mining, agriculture is almost the sole occupation; the large-plantation system predominates.

**NORWAY:** The country is one of the three Scandinavian constitutional monarchies observing the same high ideals of democratic government, enlightened economic progress, and peaceful international relations. The popular will is expressed through elected representatives in the Norwegian Parliament; the judiciary, like that of Sweden and Denmark, has a reputation for independence and integrity. Administration is in the hands of a Prime Minister and Cabinet, responsible to Parliament. The prevailing spirit, as well as the institutional structure of the country, favors the fullest exercise of freedom. Suffrage is enjoyed by both sexes. There is no illiteracy.

From 1935 until the invasion by Nazi forces five years later, the strongly left-wing Labor party, as the largest group in Parliament, constituted the government. Its program, while immediately concerned with measures of social and economic improvement, aimed at the establishment of a socialist commonwealth. The other major parties, while opposed to full socialization, were democratic and progressive. A pro-Nazi minority was unable to win elective support.

**PANAMA:** The threat of a pro-fascist foreign and domestic policy in Panama was liquidated when President Arnulfo Arias was forced to flee the country in October, 1941. Except for the Canal Zone, Panama constitutes an independent

republic, with a multiple party system and the familiar division of executive, legislative, and judicial agencies. By a special treaty, approved in 1939, the United States renounced the right to intervene in Panamanian affairs, but has since leased sites for air bases.

The national economy, consisting chiefly of farming and small business, is largely dependent upon the trade of the Canal Zone. The population consists chiefly of Indian, Negro, and mestizo; primary education is provided, but illiteracy is high; the principal religion is the Roman Catholic. The Canal Zone, ten miles in width, is entirely under United States control, and is wholly a government venture.

**PARAGUAY:** The country is nominally a republic, but one with a long tradition of military dictatorship. The present regime conforms to this pattern under the rule of President Morinigo. Opposition is outlawed, and a strict official censorship enforced; totalitarian sentiments are freely expressed by government leaders. The new 1940 Constitution displays certain corporative features, notably the declared dominance of the state over economic life. The government program combines this nascent fascism with a program of social and economic reform—in education, agriculture, industrial legislation—and a close relationship with the Church.

In Paraguay, as in most South American countries, the leading problem is that of land ownership, and here again there is a wide gulf between the wealthy landed oligarchy and the mass of propertyless peons. Among the latter, poverty and illiteracy are well-nigh universal. Again, as in most of South America, radical parties are illegal. While the effect of pro-Axis propaganda has been perceptible, official policy is friendly to the United States. In financial and economic matters, the influence of Argentina is pre-eminent.

**PERU:** The Peru of today is probably less democratic and less well-advanced than the Inca Empire which existed in this area until the conquest by Pizarro. At present, after some decades of unscrupulous dictatorship, the country is making a slow transition to representative government under President Prado. There is a growing amount of paternalistic legislation intended to enhance the general welfare. At the same time, political power is strictly reserved to the army, the Church, and the propertied class. The *Apra*, an extremely popular party of social reform devoted to the emancipation of the native Indians, has been suppressed and its electoral successes thrown out.

All but a small part of the population is Indian or mestizo, and remains uneducated and impoverished. Most of the land is held in huge private or Church estates. The rich industrial properties—mines and petroleum—as well as the banks, are largely foreign-owned. Prominent Japanese, Italian, and German colonies exist within the country, but “fifth column” activities have been firmly discouraged.

**POLAND:** Although reconstituted as an independent republic in 1918, Poland has not at any time enjoyed popular government. Marshal Pilsudski, liberator and “strong man,” ruled by vigorous personal methods until his death in 1935, after which a dictatorial one-party regime, under the domination of high army officers, was established. The major influence upon governmental policy was furnished by the Polish landed nobility. An exaggerated nationalism found its obverse in discrimination against minorities, with sporadic outbreaks of anti-Semitism.

Poland has been a nation of peasants, with only industrial beginnings, and the peasantry has remained poor and backward. Social legislation has been scanty, a large proportion of the budget having been absorbed by military expendi-

tures. Socialism and communism had both made headway. Polish foreign policy consisted mainly of balancing Germany against Soviet Russia. Following the invasion of September, 1939, the country was partitioned for the fourth time in its history.

**PORTUGAL:** The country has been a republic since the overthrow of the Braganza monarchy in 1910. After a period of instability, a military dictatorship was established by Dr. Salazar in 1926. A one-party, corporative type state subsequently came into being (1934), with a variety of fascist features: a green-shirted private army, secret police, outlawry of radical groups, restrictions on civil freedom, and a militant youth movement. Some elements of representative government remain, but they are ineffective.

The country is generally undeveloped, with few manufacturing industries. Agriculture predominates, but methods remain backward. Despite its semi-fascist structure and recent associations with Germany, Italy, and Spain, Portugal remains closely bound to Great Britain in economic and foreign affairs.

**RUMANIA:** Chronic instability and authoritarianism characterize Rumanian political history. In 1938, as a consequence of internal conflict, King Carol promulgated a new constitution along Italian corporative state lines, with himself as dictator. Following Carol's abdication in 1940 a completely totalitarian state was decreed by Premier General Antonescu. The Iron Guard, a terrorist pro-fascist group, was declared the sole political party. The Cabinet consisted largely of military men; parliamentary government was entirely abandoned. In November, 1940, Rumania joined the Axis, and subsequently aided Germany in invading the USSR. National politics have been traditionally

corrupt, exploitative, and opportunistic. Anti-Semitism, always a strong undercurrent in Rumania, has been adopted as an official policy in recent years.

Four-fifths of the population is agricultural, but the country possesses rich reserves of oil, timber, and minerals. Living standards are very low and illiteracy high. Land reform policies have succeeded in breaking up large estates, but the peasants remain at the mercy of traders and money-lenders.

**SAUDI ARABIA:** By 1926 the tribal chieftain, Ibn Saud, had succeeded in wresting control of the main part of the Arabian peninsula, formerly a Turkish province. Saudi Arabia is now a unified state, existing under the personal rule of the King, who has introduced a substantial amount of modernization into the country—permanent highways, motor transport, communication, civil administration, and so forth.

The population is entirely Arab, much of it still nomadic. The prevailing religious faith is the Wahabite, an especially puritanical and traditionalist version of Mohammedanism imposed by Ibn Saud. Productive agriculture is possible only along the rainy west coast; but extensive oil reserves are now being exploited.

**SPAIN:** The Civil War, 1936–39, in which the Republic was overthrown, was the culmination of an almost unbroken class struggle inherent in the character of Spanish institutions. The alignments were, roughly, the Monarchy—Catholic Church—Landed Aristocracy—Army coalition versus the Republican—Anti-Clerical—Peasant—Working Class forces.

The present Spanish state is modeled closely upon that of the Italian Fascist corporative system, and is administered

by a single party, the Falangist, of which General Franco is the leader. All the familiar features of fascism are present: the ideology of racial exclusiveness, contempt for democracy, hatred of Marxism, intolerance of the opposition, stratification of classes, etc. As an adherent of the Anti-Comintern Pact, the government's foreign policy is strongly oriented to that of the Axis.

The country is but little industrialized and the land problem remains, as it has for centuries, the crux of the Spanish tragedy. Land ownership is overwhelmingly in the hands of the Catholic Church (especially the Jesuit order) and a small aristocracy. The economic and political welfare of the people is at the mercy of an unscrupulous ruling class. The Franco regime and the corporative state have attempted to crystallize this system into permanence. Rich and poor are separated by a great gulf; the middle class is small and unimportant. The Church is an official part of the state. Protestants and Jews exist under severe disabilities. Illiteracy is still in excess of 40 per cent. Working-class and peasant organizations have been suppressed. There is no exercise of civil liberties.

**SWEDEN:** Politically Sweden is a democratic monarchy, and has succeeded notably in reconciling government, economy, and individual freedom. Popular sovereignty is expressed through representative institutions, elected by universal suffrage. Civil, political, and religious rights are guaranteed less by legislation than by an ingrained tradition of democratic behavior and civic integrity. The Social Democratic party (moderate-socialist) has been in power for some years, with its leader Per Albin Hansson as Premier. A coalition government was formed in 1939 after the outbreak of the war.

The Swedish economy is an example of an advanced state

capitalism grading into state socialism. Besides an elaborate social security program and pro-labor legislation, a large segment of industry is government-owned and operated—in some cases as a joint enterprise with private interests. Natural resources are primarily a public possession. The consumers' co-operative movement, reaching back into production as well as wholesaling and retailing, has liquidated various private monopolies and captured a large proportion of the nation's total business.

Extremes of income are almost non-existent. The Swedish standard of living is among the highest in Europe. Education is well advanced and is made available to the whole population. Foreign policy has been consistently pacific, with strong support for the League of Nations.

**SWITZERLAND:** This is a federal constitutional republic, in which the cantons retain a large measure of self-government. Switzerland is a pioneer in representative institutions, and its form of political democracy is probably the purest and most direct in the world. The political structure is unified and efficient, despite a high degree of decentralization, which has permitted the continuance of a vivid local life in the cantons. The Constitution specifically guarantees the fullest measure of civil and political rights. The initiative and referendum, first developed in Switzerland, are frequently utilized. In several small cantons the purest form of political democracy, the town meeting, is the sole agency of government. Everywhere the citizens show an unusual degree of civic responsibility and participation in public affairs. Full equality among the several national peoples—chiefly German, French, and Italian-speaking—has averted minority problems.

The prevailing political sentiment in both Federal and local affairs is liberal or mildly socialistic. A sizable amount

of social security and labor legislation has been in effect for some time, but state intervention in the economy is otherwise not large.

**THAILAND (Siam):** The country persisted as an absolute monarchy until 1932, when a bloodless revolt led to the establishment of a constitutional regime granting popular sovereignty, and an elected Parliament. But, although the political system was modernized, the promised economic and social reforms—land distribution, agrarian co-operatives, tax equalization, and education—failed to materialize. When Japanese forces occupied the country in December, 1941, the government consisted of a regency of three men on behalf of the young King Ananda, with effective power exercised by the leadership of the Peoples' party—which supported a semi-democratic program.

The Thai people are of a mild, non-aggressive character, mainly peasants. In the absence of any appreciable industry, the middle class is almost non-existent. There is a prolific aristocracy of landowners, whose attempted counter-revolution in 1933 was quickly defeated.

**TURKEY:** The former Ottoman Empire was reconstituted (with greatly decreased boundaries) as the Republic of Turkey in 1922, and launched on a drastic reorganization along modern Westernized lines by its remarkable creator, Kemal Ataturk. The present Constitution defines the Turkish state as “republican, nationalist, populist, éstatist, laicist, and revolutionary.” With abolition of the Caliphate, the Mohammedan Church was separated from the state. Women have been rescued from their traditional status of seclusion and subservience, and now enjoy equal political and social rights with men. A system of compulsory education has done much to obliterate the high degree of illiteracy.

The state is actually a one-party dictatorship, but it is benevolent and progressive in character. Discussion is relatively free, yet no important opposition to the government has appeared. The economy represents an advanced form of state capitalism, with the state officially empowered to supervise, regulate, and give direction to all industrial processes. A fairly large sector of enterprise is publicly operated. A series of Five-Year Plans, patterned after those of the USSR, has been instituted since 1935 to speed industrial development.

An Anglo-French-Turkish mutual assistance pact, valid for fifteen years, was signed in October, 1939. Relations with the USSR, Turkey's important neighbor, have been consistently cordial.

**UNION OF SOUTH AFRICA:** Since 1910 this has been a self-governing Dominion of the British Empire, with parliamentary institutions resembling those of the mother country. Of the 10,000,000 population, three-quarters are natives, the white population consisting mainly of Dutch Boers and English. Government is primarily by and for the white man: except in the Cape province, natives have no vote and, by a series of "color bar" acts, are rigidly excluded from civil rights, land ownership, skilled occupations, and the professions. Suppression of the native population is primarily a Boer policy, and is generally concurred in by white labor; a somewhat more liberal attitude is endorsed by the United party of Prime Minister Smuts, now ruling with the aid of a coalition government. Some ameliorative legislation was enacted in 1942.

South African politics still reflect the struggle between pro-British and Boer groups, with the latter demanding independence from Britain and, for a time at least, flirting with pro-German elements. The progress of the war, how-

ever, has weakened their influence. The country is rich in land and minerals, and has for many years been the world's leading producer of gold and diamonds. The income per capita is high, except among the native population. The latter are largely limited to farm labor or a form of share-cropping.

**UNION OF SOVIET SOCIALIST REPUBLICS:** See Chapter 9, Soviet Communism.

**UNITED STATES:** The paramount position of this country among modern nations is a consequence of many related factors: a form of government that has encouraged the optimum development of both human and material resources; an enduring tradition of respect for individual worth and the greatest measure of freedom; a fluid social system providing wide opportunity for personal betterment; an unparalleled wealth and diversity of natural resources; an energetic and ingenious population; and a geographical position until recently remote from the power politics and conflicts of the Old World. The result has been the creation of a stable political structure, a highly productive economy, and progressively democratic social institutions.

The cornerstone of government is the Federal Constitution, whose principal features may be summarized thus: ultimate sovereignty rests with the whole people; governing powers are distinctly separated among the law-making, the law-enforcing, and the law-interpreting agencies; a bill of rights prohibits arbitrary or discriminatory practices by public officials, and specifically safeguards freedom of speech, press, religion, assembly, and petition; life, liberty, and property are declared inalienable except through due process of law; the powers of the Federal government are limited to those enumerated, leaving a wide area of self-

government to the States. Responsibility of elected representatives is ensured by regular elections, universal suffrage, and a secret ballot.

The political scene is dominated by a two-party system, Democrats and Republicans, whose disagreements rest upon differing methods of maintaining the same institution—a more or less reformed and regulated capitalism. Socialism and communism are no more than peripheral movements, unable to make important headway against the deep-seated individualist tradition, the high level of material welfare enjoyed by a majority of the population, and the remarkable recuperative abilities demonstrated by business after each depression. The prospect of American fascism is more likely because its native character as an ideological force—the fear, frustration, and despair in time of economic crisis, the exaggerated nationalism, contempt for the “masses,” and search for a scape-goat—is too little understood by Americans.

The American economy has progressed through all the phases of modern industrial growth: from feudal agriculture (the southern plantation) and the handicraft system, through the vicissitudes of eighteenth-century mercantilism, the commercial capitalism of the early Republic, the post-Civil War expansion of industrial manufacture, to its present status as the largest producer of both consumer and capital goods among the nations. The most notable development of recent decades has been the growth of huge corporate enterprises and financial establishments, many of them with widely ramified international commitments.

Not until the twentieth century did a politically significant labor movement become established; the expanding American frontier, the remarkable achievements of industrial enterprisers, the antagonism of business and government, and the unending flood of immigrant workers, made earlier attempts too precarious. Positive encouragement of labor

organization came only with the New Deal administration of President Franklin D. Roosevelt. American labor unions of all types now number a membership of some 15,000,000, or more than a quarter of all employed workers. On the whole, American unionists are less radical, less politically conscious, more devoted to immediate practical ends, than those of other industrialized countries.

The co-operative movement, although yet of modest proportions, shows a steady growth from year to year in consumer, producer, service, and marketing enterprises. Its leaders abstain almost entirely from political activities.

A number of serious and urgent problems confront the American democratic structure, among which may be listed: recurrence of unhealthy booms, depressions, and widespread unemployment; persistence of monopolies, cartels, and combinations in restraint of trade; harmful extremes of wealth and poverty; need for reform of the administrative structure; stabilizing of industrial-labor relations; status of the Negro population; the threat of anti-Semitism; conservatism of dwindling natural resources; and the dangerous increase in farm tenancy.

**URUGUAY:** This state is outstanding among South American countries for its political stability and enlightened social legislation. A responsible representative government is elected by universal suffrage, with compulsory voting for both sexes. Civil freedom is guaranteed, as is religious toleration. Public administration is efficient and honest. In the first decade of this century Uruguay embarked on a program of social and economic reform that has since been broadened to include: full control of banking and all forms of insurance, ownership of utilities and communication, a monopoly of various industrial enterprises; minimum wages, old-age pensions, medical care, low-cost housing, etc. Un-

like the situation in most of South America, landholdings are well distributed and farm workers receive the guaranteed minimum wage. There is conservative opposition to some of these measures, but little likelihood of their being reversed. Unemployment is almost unknown. Education is maintained at a high level.

The Socialist and Communist parties, while legal, have little following. A bold pro-Nazi conspiracy to seize power by force was suppressed in 1940. Uruguayan relations with the United States have been of the friendliest.

**VENEZUELA:** Not until the corrupt and unsavory Gomez dictatorship (1908-35) came to an end was it possible for Venezuela to restore constitutional government. The state is now engaged in a transition to liberal-democratic practices, at the same time feeling its way toward economic readjustment. While government is almost a one-party affair, there is ample scope for opposition. Socialism represents a growing movement; the Communist party has been declared illegal.

The remarkably rich petroleum resources of the country have had the effect of distorting the national economy. Although the oil revenues are enormous and the country is without debt, agriculture and other industries have been allowed to languish, prices have risen to exorbitant levels, and the greater part of the population is impoverished. Educational facilities are inadequate for normal literacy requirements. The beginnings of a social security program, designed to alleviate suffering and extend purchasing power, are thus far barely perceptible.

**YUGOSLAVIA:** This state was created December 1, 1918, as the kingdom of the Serbs, Croats, and Slovenes—originally a homogenous people, but since divided by religious

and cultural cleavages. After an interval of representative government King Alexander established a dictatorship in 1929, which was continued after his death in 1934 by Regent Prince Paul until the German invasion of April, 1941. The political scene has been colored by military intrigue, internal dissension, and the persecution of liberal and radical elements. Popular demands for democratic reform were ignored; the tragic plight of the peasantry continued unabated. Only minimum advances have been made in education, public health, or security legislation.

Like the other Balkan states and much of the world, Yugoslavia is at present undergoing an internal revolution, brought to a head by the Second World War. Here the old regime (monarchy, aristocracy, army, organized Church) is being challenged by a broad mass movement which looks to the creation of a democratic, equalitarian, more or less collectivist form of political and economic structure. The Mikhailovitch-Chetnik guerrilla forces, generally supported by the Yugoslav government in exile with King Peter at its head, represent the old regime; it is Pan-Serbian and seeks the dominance of Serbia over the Croats and Slovenes. The Partisan-Liberation Front movement expresses the aspirations toward the new structure, which would guarantee equal status for the three peoples in a federal state, with an orientation in the direction of Soviet Russia.

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